

Meeting of:	<b>Audit Committee</b>
Date of Meeting:	<b>Thursday, 24 September 2020</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	External Audit Plan 2020
Purpose of Report:	To present to Members the Council's External Audit Plan 2020 and the Shared Regulatory Services Plan 2020 which are produced annually by Audit Wales
Report Owner:	Managing Director
Responsible Officer:	Head of Finance
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p><b>Executive Summary:</b></p> <ul style="list-style-type: none"> <li>• The Auditor General Wales is required to carry out an audit which discharges its statutory duties and fulfils its obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Code of Audit Practice.</li> <li>• The External Audit Plan 2020 outlines work to be undertaken in the Council during the period April 2020 to March 2021 by and on behalf of the Auditor General and how much the work will cost. This is attached at Appendix 1.</li> <li>• The impact of COVID-19 on local authority's ability to prepare the 2019-20 accounts and the impact on the audit work is recognised. Therefore, the audit plan does not include any details in relation to completion of the audit work. An addendum covering the Annual Audit Plan 2020 - Impact of COVID-19 is at Appendix 2</li> <li>• The 2020 Audit Plan - Shared Regulatory Services Joint Committee is at Appendix 3.</li> </ul>	

## **Recommendation**

1. That Audit Committee consider the External Audit Plan for 2020 and the Shared Regulatory Service Joint Committee Plan 2020.

## **Reason for Recommendation**

1. To progress the External Audit work programme and to ensure that robust scrutiny of the External Audit plans take place.

## **1. Background**

- 1.1 The Annual Audit Plan has been prepared by the Council's External Auditor, Audit Wales, to meet the requirement of the auditing standards and proper audit practices. It sets out the work to be undertaken at the Vale of Glamorgan Council under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice.

## **2. Key Issues for Consideration**

- 2.1 The key elements of the audit engagement of the Appointed Auditor are to:-
  - examine and certify whether the Council's financial statements are 'true and fair';
  - assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether the Council has discharged duties and met requirements of the Local Government (Wales) Measure 2009;
  - undertake studies to enable recommendations to be made for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2.2 The External Audit Plan 2020 outlines work to be undertaken in the Council during the period April 2020 to March 2021 by Audit Wales on behalf of the Auditor General. A copy of the External Audit Plan is attached at Appendix 1.
- 2.3 The Appointed Auditor is required to undertake the following:
- 2.4 Audit of the Financial Statements - to issue a certificate and report on the Council's financial statements which includes an opinion on their "truth and fairness". An assessment is made to determine whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of

resources and report by exception if the Annual Governance Statement does not comply with requirements.

- 2.5 Other financial audit work - to audit / independently examine the Joint Committee arrangements which are hosted by the Council. The Audit Plan 2020 for the Shared Regulatory Services Joint Committee is at Appendix 3. Financial audit work is also undertaken on the Vale, Valleys and Cardiff Adoption Service and an independent examination of the Welsh Church Fund.
- 2.6 Grant Claims - to certify a number of grant claims and returns.
- 2.7 Performance audit - to undertake meaningful, risk based and proportionate audits and assessments in relation to value for money, continuous improvement and sustainable development. This work is detailed within Appendix 1 at exhibit 2.

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

- 3.1 The External Audit Plan proposes further examination to assess the extent to which the Council is applying the sustainable development principle when taking steps towards meeting its well-being objectives.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1 The proposed fees for the work associated with the External Audit Plan 2020 is £261,405. There is an additional fee of £40,000 for the grant certification work which is invoiced as the work is undertaken.
- 4.2 The proposed fee for the Joint Committees and Welsh Church Fund audit works is £14,374.

### **Employment**

- 4.3 None as a direct consequence of this report.

### **Legal (Including Equalities)**

- 4.4 The provision of an adequate and effective audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

## **5. Background Papers**

Appendix 1: Vale of Glamorgan Audit Plan 2020

Appendix 2 : Addendum

Appendix 3 - Shared Regulatory Service Plan 2020

## 2020 Audit Plan – Vale of Glamorgan Council

Audit year: 2020

Date issued: May 2020

Document reference: 1833A2020-21

This document has been prepared as part of work performed in accordance with statutory 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.

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# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

## Audit of financial statements

- 2 Each year we audit the Vale of Glamorgan Council's (the Council) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

## Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

## Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

## Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased all on-site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the authority once the current

national emergency situation is over and the authority is in a position to prepare its accounts.

- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

## Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Council's financial statements.
  - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 12 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
- certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - the audit of the Shared Regulatory Services (SRS) Joint Committee's financial statements (a separate audit plan has been produced for presentation to the SRS Joint Committee);
  - the limited assurance audit of the Vale, Valleys and Cardiff Adoption Service Joint Committee's financial statements;
  - the independent examination of the Vale of Glamorgan Welsh Church Fund; and
  - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 15 The following table sets out the significant risks I have identified for the audit of the Council.

## Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Management Override</b> 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 will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>School Payroll &amp; Pension Fund arrangements</b> Three secondary schools within the Council do not use the Council to administer their payroll. In addition, one of these school's has separate/stand-alone pension fund arrangements as an admitted body of the Cardiff and Vale Pension Scheme.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• undertake appropriate procedures to obtain assurance on the accuracy and completeness of the payroll transactions of these schools which are incorporated within the Council's financial statements; and</li> <li>• work with the Council to establish the secondary school pension fund net assets are appropriately disclosed and accounted for within the Council's financial statements as required by International Auditing Standard 19 – employee benefits.</li> </ul>
<p><b>McCloud judgement</b> In 2015 the Government introduced reforms to public sector pensions,</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor</p>

Audit risk	Proposed audit response
<p>meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>progress on the development of proposals for a remedy to be applied in the LG pensions scheme</p>
<p><b>Impact of COVID-19</b></p> <p>The COVID-19 national emergency could result in a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, for example around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may also be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p><b>Cardiff Capital Region City Deal</b></p> <p>The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established a joint committee (the Regional Cabinet) to oversee the delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. There could be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<p>Liaising closely with the other local authority auditors, we will monitor progress with the City Deal project and carry out early work, as necessary, to assess the accounting arrangements.</p>

Audit risk	Proposed audit response
<p><b>IFRS 16 Leases</b> Introduction of IFRS 16 Leases has been deferred until; 2021-22. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

## Performance audit

- 16 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on **page 4** in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

### Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

Performance audit programme	Brief description
<p>Improvement audit and assessment work including improvement planning and reporting audit</p>	<p>Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.</p>
<p>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination</p>	<p>A project common to all local councils that will focus on the theme of 'prevention'.</p>
<p>Assurance and Risk Assessment</p>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p>

Performance audit programme	Brief description
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Local work	We met with Council officers to discuss the findings from our 2019-20 assurance and risk assessment work in February 2020. We will discuss further local work with the Council's officers.

## Certification of grant claims and returns

- 17 I have been requested to undertake certification work on the Vale of Glamorgan Council's grant claims and returns.
- 18 The number of grant claims that are required to be audited by the Welsh Government for 2019-2020, are less than in previous years.
- 19 My estimated audit fee for this work is set out in **Exhibit 3**.

## Fee, audit team and timetable

- 20 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 21 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 22 Your estimated fee for 2020 is set out in **Exhibit 3**. There have been some small changes to my fees rates for 2020, however, my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. Overall there is a 6.8% decrease compared to your actual 2019 fee which is due to a reduction in the number of grant claims that are required to be audited.

### Exhibit 3: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	164,000	164,000
Performance audit work <sup>3</sup>	97,405	97,405
Grant certification work <sup>4</sup>	40,000	62,000
<b>Total</b>	<b>301,405</b>	<b>323,405</b>
Other financial audit work <sup>5</sup> :		
• Shared Regulatory Service	11,844	11,844
• Adoption Services	1,130	1,130
• Welsh Church Fund	1,400	1,400

- 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 Council.
- 24 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

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

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<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

<sup>2</sup> Payable November 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021

<sup>4</sup> Payable as work is undertaken

<sup>5</sup> Payable as the work is undertaken

#### Exhibit 4: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Director & Engagement Lead – Financial Audit	02920 320585	<a href="mailto:anthony.veale@audit.wales">anthony.veale@audit.wales</a>
Huw Rees	Engagement Lead – Performance Audit	02920 320599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Steve Wyndham	Audit Manager (Financial Audit)	02920 320664	<a href="mailto:steve.wyndham@audit.wales">steve.wyndham@audit.wales</a>
Rachel Freitag	Audit Lead (Financial Audit)	02920 829359	<a href="mailto:rachel.freitag@audit.wales">rachel.freitag@audit.wales</a>
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786 111385	<a href="mailto:sara-jane.byrne@audit.wales">sara-jane.byrne@audit.wales</a>
Ian Phillips	Audit Lead (Performance Audit)	02920 320678	<a href="mailto:ian.phillips@audit.wales">ian.phillips@audit.wales</a>

#### Timetable

- 26 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 27 Therefore, we will report on a timetable for our audit work in due course.
- 28 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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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.

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By e-mail

**Reference:** 1853A2020-21

**Date issued:** 27 April 2020

Dear Carys

### Annual Audit Plan 2020 – Impact of COVID-19

As you are aware, the COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit. Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

### Financial Audit

In light of the above, we are taking the opportunity to keep you updated on the financial audit aspects of our work. Having written to you recently with our Annual Audit Plan, there are some further issues I would like to bring to your attention:

## CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. From our ongoing discussions with Carolyn and Gemma, we understand that the authority is working towards preparing accounts in accordance with the full Code.

### Potential audit issues

In terms of keeping you updated, we are aware of concerns expressed by a number of local authorities about various aspects of the accounts. Specific areas of concern raised with us include:

- **Increased use of estimates.** Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- **Asset valuations.** Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- **Pensions valuations.** Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.
- **Removal of disclosure notes to simplify the accounts preparation process.** We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further

detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with me or Steve as soon as possible.

We will continue to seek to be pragmatic about the timely provision of information and evidence and also sympathetic in our verbal and written communication and reporting on issues brought about by current events. However, we must continue to undertake our audit work in accordance with auditing standards.

### **Audit timetable**

In respect of our accounts work, we understand that the Council anticipate being able to produce draft accounts by 15 June. However, we are aware across the local government sector there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in **Annex A** and example notices in **Annex B** that the Authority may wish to consider using if the draft accounts are not produced in accordance with the current planned timetable.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply, eg public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

The audit team will issue an audit notice in due course setting out the appointed date.

This may mean that there could be a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);

- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

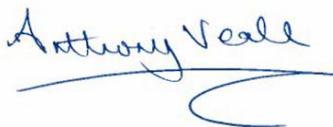
We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible, and will keep you and your team fully up to speed with any developments in this area.

### **Programme of performance work**

Our annual audit plan also set out a programme of performance audit work at the Council. On 18 March 2020, the Auditor General wrote to the Chief Executive explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under on-going review and will communicate further information on any revisions to our programme, timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the local government sector.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact me.

Yours sincerely

A handwritten signature in blue ink that reads "Anthony Veale". The signature is written in a cursive style and is underlined with a long, sweeping horizontal stroke.

Anthony Veale  
Engagement Director

cc: Tom Bowring (Head of Policy & Business Transformation)

## **Annex A: Requirements of the Accounts and Audit (Wales) Regulations 2014**

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### **Statutory requirements**

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### **Welsh Government interpretation**

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### **Audit Wales view and impact on the audit process**

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in **Annex B**.

## **Annex B: Accounts and Audit (Wales) Regulations 2014 – suggested notice**

### **Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared**

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of the Council sign's and date's the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

### **Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts**

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of the Council sign's and date's the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

## 2020 Audit Plan – Shared Regulatory Services Joint Committee

Audit year: 2019-20

Date issued: May 2020

Document reference: 1866A2020-21

This document has been prepared as part of work performed in accordance with statutory 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.

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# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

## Audit of financial statements

- 2 Each year we audit the Shared Regulatory Services Joint Committee's (the Joint Committee) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 3 The Joint Committee has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

## Impact of COVID-19

- 4 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work.
- 5 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 6 In response to the government advice and subsequent restrictions, we have ceased on all on site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 7 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the joint committee once the current national emergency situation is over and the joint committee is in a position to prepare its accounts.
- 8 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

## Audit of financial statements

- 9 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':

- we plan to give an opinion on the Joint Committee’s financial statements; and
- assess whether the Joint Committee ’s Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were are consistent with the financial statements prepared by the Joint Committee and with our knowledge of the Joint Committee.

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

11 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

12 The following table sets out the significant risks I have identified for the audit of the Joint Committee.

### Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Management Override</b></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 will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Impact of COVID-19 – general risks</b></p> <p>The COVID-19 national emergency is likely to have a significant impact on the Joint Committee and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> <li>• subsequent events. The Joint Committee is, at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events, but some form of disclosure may be needed.</li> <li>• use of estimates. The uncertainties and delays caused by the UK-wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts.</li> </ul>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> <li>• we will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework;</li> <li>• we will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue;</li> <li>• we will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage; and</li> <li>• we will adopt a greater focus on the following areas: <ul style="list-style-type: none"> <li>– the financial statement closing process (in particular journal entries and other adjustments made); and</li> <li>– the auditor’s evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.</li> </ul> </li> </ul>
<b>Other areas of audit attention</b>	
<p><b>McCloud judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning</p>	<p>My audit team will review the provision made in relation to the McCloud</p>

most public sector workers were moved into new pension schemes in 2015.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.

The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities of the Joint Committee.

judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme

- 13 You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year.
- 14 For information, the introduction of IFRS 16 Leases has been deferred until 2021-22 due to COVID-19. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks. We will continue to work with the joint committee in respect of its preparedness.

## Fee, audit team and timetable

- 15 My fees and planned timescales for completion of the audit are based on the following assumptions:
  - the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officers will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements;and

- set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 17 Your estimated fee for 2020 is £11,844. Whilst my fee rates for 2020 have increased overall by 3% your estimated fee remains unchanged and is consistent with your actual 2019 fee.
- 18 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.
- 19 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 20 The main members of my team, together with their contact details, are summarised in **Exhibit 2**.

## Exhibit 2: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Director	07896 271873	<a href="mailto:anthony.veale@audit.wales">anthony.veale@audit.wales</a>
Steve Wyndham	Audit Manager	07891 179033	<a href="mailto:steve.wyndham@audit.wales">steve.wyndham@audit.wales</a>
Anthony Ford	Audit Lead - Senior Auditor	02920 829348	<a href="mailto:Anthony.ford@audit.wales">Anthony.ford@audit.wales</a>

## Timetable

- 21 We will continue to undertake as much remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 22 We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can and are supportive of 'extending' the accounts window where required. It will be vital that this close engagement continues over the next few months, against what will doubtless be a fast-changing backdrop.
- 23 Therefore, we will report on a timetable for our audit work in due course.
- 24 I can confirm that my team members are all independent of the Joint Committee and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

## Accounts and Audit (Wales) Regulations 2014

- 25 In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

- 26 The Regulations require the publication of a notice where the Joint Committee does not expect to achieve the dates specified by the Regulations. I have included further detail in Appendix A and example notices in Appendix B that the Joint Committee may wish to consider using.
- 27 The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply, e.g. public access to the Joint Committee's accounting records.
- 28 Therefore, my audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.
- 29 The audit team will issue an audit notice in due course setting out the appointed date.
- 30 This may mean that there is a delay before we can issue our audit opinion.

# Appendix A

## Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Appendix B](#).

# Appendix B

## Accounts and Audit (Wales) Regulations 2014 – suggested notice

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Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020.

Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.

OR

Due to the COVID-19 outbreak, the SRS Joint Committee has not met to approve the statement of accounts.

OR

Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.



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