

Meeting of:	Governance and Audit Committee
Date of Meeting:	Monday, 13 June 2022
Relevant Scrutiny Committee:	All Scrutiny Committees
Report Title:	Audit Wales 2022 Audit Plan
Purpose of Report:	To present to Members the Audit Wales Audit Plan 2022
Report Owner:	Report of the Head of Finance
Responsible Officer:	Matt Bowmer, Section 151 Officer
Elected Member and Officer Consultation:	No specific ward member consultation has been undertaken
Policy Framework:	This report is in accordance with the policy framework and budget
<p>Executive Summary:</p> <p>Audit Wales (AW), as the nominated auditor for the Vale of Glamorgan Council, is required to undertake work in relation to the following :</p> <ul style="list-style-type: none"> • Audit of Financial Statements • Value for money • Continuous Improvement • Sustainable Development principle <p>The report provides details regarding how Audit Wales will complete this work in 2022</p> <p>Committee is requested to consider and agree the proposed audit plan for 2022.</p>	

Recommendation

1. THAT Members review and note the content of this report.

Reason for Recommendation

1. To facilitate monitoring of the audit function

1. Background

- 1.1 As the external auditor, the objective of Audit Wales is to carry out an audit which discharges the statutory duties of Auditor General, which include:

- Audit of Financial Statements
- Value for money
- Continuous Improvement
- Sustainable Development principle.

2. Key Issues for Consideration

- 2.1 The report at Appendix 1 details the work planned by Audit Wales in the current year to meet the duties outlined above.
- 2.2 With regard to the financial statements, the key addition for the current year will be asset valuations. There was an "Emphasis of Matter" paragraph in 2019/20 and 2020/21 due to the uncertainty caused by covid-19. This heightened by the current significant uncertainty which will place asset valuations under the spotlight.
- 2.3 Audit Wales will also undertake certification work on a number of the Council's grant claims and returns relating to 2021/2022.
- 2.4 In addition to the financial audit work, Audit Wales will also undertake Performance Audits and these are detailed in Exhibit 2 of Appendix 1. There are two thematic reviews - one on Unscheduled Care and one still to be determined.

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

- 3.1 The management and reporting of the financial activity of the Council reflects the requirements of the Well-being of Future Generations (Wales) Act 2015. By

aligning our financial framework with the Well-being Goals of the Act, enables the Council to better evidence our contribution to the Goals.

- 3.2** External Regulation is an important vehicle for driving continuous improvement across our services. Progressing the improvement areas identified by our regulators not only enables us to demonstrate our commitment to continuous service improvement, but also contributes to further strengthening our impact on the national well-being goals through the achievement of our well-being objectives.

4. Resources and Legal Considerations

Financial

- 4.1** The estimated fee for the Audit work in 2022 is £332,136. Any proposed changes to this will be discussed with the s151 Officer prior to implementation. The detail of these fees is shown in Exhibit 3.
- 4.2** The costs of the other financial audit work detailed in Exhibit 3 will be charged to those services.

Employment

- 4.3** There are no direct employment issues relating to this report.

Legal (Including Equalities)

- 4.4** The statutory duties of the Auditor General are contained within the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice, and these are namely to:
- examine and certify whether the financial statements are ‘true and fair’;
 - assess whether the proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources; and
 - Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns.

5. Background Papers

2022 Audit Plan – Vale of Glamorgan Council

Audit year: 2022

Date issued: May 2022

Document reference: 2948A2022

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

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2022 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

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

Value for money

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

Sustainable development principle

- 5 The Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 6 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 7 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

Audit of financial statements

- 8 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council and the Group's financial statements for the financial year ended 31 March 2022; and
 - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council and the Group.
- 9 In addition to my responsibilities for auditing the Council and the Group's financial statements, I also have responsibility for:
 - 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 audit of the Annual Return of the Vale Valleys and Cardiff Adoption Service;
 - the independent examination of the Vale of Glamorgan Welsh Church Act Fund; and
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Governance and Audit Committee prior to completion of the audit.
- 11 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.

12 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

13 The following table sets out the significant risks I have identified for the audit of the Council and Group.

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
Significant risks	
<p>Management override</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>We will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Covid 19 – Welsh Government funding</p> <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. Several potential audit risks exist in relation to the pandemic, including the accounting treatment for COVID-19 funding from the Welsh Government and particularly whether this should be accounted for on a principal or agency basis.</p>	<p>We will review the nature of the funding from the Welsh Government and confirm the appropriate accounting treatment and disclosure.</p>

Audit risk	Proposed audit response
Other audit risks	
<p>Asset valuations</p> <p>Accounting for Property, Plant and Equipment continues to be one of the most challenging areas of the accounts and can often generate significant audit findings.</p> <p>Our 2019-20 and 2020-21 audit reports included an ‘Emphasis of matter’ paragraph drawing attention to material valuation uncertainties in the financial statements in respect of the valuation of the Council’s land and buildings.</p> <p>This uncertainty related to the impact of the COVID-19 pandemic on asset valuations, and there is a risk that similar uncertainties could exist this year.</p> <p>In addition, in light of the ongoing economic position, additional uncertainty exists upon asset values and so there is a risk that the carrying value of assets reported in the accounts may be materially different to the current value of assets as at 31 March 2022. This may particularly be the case where assets have been valued on a rolling basis and not as at the financial year end.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the valuer’s valuation reports and consider the impact on my audit of any reported material uncertainties; and • review the Council’s asset valuation programme to establish when individual groups of assets were valued and seek to confirm that valuations carried out earlier than as at 31 March 2022 are not materially different to the current value of assets as at the year end.
<p>Impact of COVID-19 – qualitative issues</p> <p>Although COVID-19 restrictions have now been removed, there are continued ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts. Added to this there have also been significant changes within the Council’s senior finance team. There is a risk that the quality of the accounts and supporting working papers e.g. around</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>

Audit risk	Proposed audit response
<p>estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	
<p>Related parties Disclosure of related party transactions are important as these transactions identify relationships that might materially prevent a body pursuing its separate interests or allow the body to prevent another party from pursuing its interests independently. We have identified related party transactions as being material to the accounts as they can provide scope to distort financial information and/or obscure the substance of transactions.</p>	<p>We undertake audit work to ensure that related parties are identified and appropriately disclosed.</p>

Performance audit

- 14 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out in paragraphs 4 and 5 in relation to value for money and sustainable development.
- 15 In response to the pandemic, I adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. This enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 16 For 2022-23, I intend to continue this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will continue to be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 17 Given the high degree of commonality in the risks facing councils I also intend to deliver a number of thematic projects examining risks common to all councils.

- 18 During 2020-21, I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015 from 2020-2025.
- 19 In March 2021, I wrote to the public bodies designated under the Act setting out my intentions, which include a). carrying out specific examinations of how public bodies have set their well-being objectives and b). integrating my sustainable development principle examinations of steps to meet well-being objectives with my national and local audit programmes.
- 20 My auditors are liaising with the Council to agree the most appropriate time to examine the setting of well-being objectives.
- 21 The examination of steps to meet well-being objectives will be conducted as part of work set out in this audit plan and successive audit plans, leading up to my statutory report under the Act in 2025.
- 22 For 2022-23 my performance audit work at the Council is set out below.

Exhibit 2: Performance Audit Programme 2022-23

This table summarises the performance audit programme for 2022-23

Performance audit programme	Brief description
Assurance and Risk Assessment	<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 and acting in accordance with the sustainable development principle</p> <p>The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • financial position • capital programme management • use of performance information – with a focus on service user feedback and outcomes • governance – exact focus to be confirmed • a consideration of other core arrangements and services
Thematic review - unscheduled care	<p>We intend to undertake a cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>
Thematic review (tbc)	<p>To be confirmed following the consultation referred to in paragraph 24 below.</p>

Performance audit programme	Brief description
Bespoke local project	To be confirmed

- 23 In March 2022, I published [a consultation](#) inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considers topics that may be taken forward through our national value for money examinations and studies and/or through local audit work across multiple NHS, central government and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
 - a targeted and impactful approach to communicating and influencing.
- 24 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 25 We will provide updates on the performance audit programme through our regular updates to the Governance and Audit Committee.

Certification of grant claims and returns

- 26 I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension, NDR and the Coldbrook flood defence scheme.

Statutory audit functions

- 27 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 28 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 29 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 taking into account the impact of COVID-19, 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.
- 30 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 31 As set out in our Fee Scheme 2022-23 our overall fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 32 The estimated fee for 2022 is set out in **Exhibit 3** and whilst our financial and performance audit estimated fees have increased in accordance with this overall increase in fee rates, there is a small (0.7%) overall reduction in our total estimated fee compared to your actual 2021 fee. This is a result of the additional work required in delivering the 2021 grants certification work at the Council during 2021 – in particular the certification of a flood defence project that was unexpectedly required by the Welsh Government and the need to undertake additional work, including extended testing, on your Housing Benefits subsidy claim for 2020-21. The impact of this resulted in the overall cost of our grants certification work exceeding the estimated cost, as communicated within our 2021 Audit Plan, by £17,291.

Exhibit 3: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	171,353	165,500
Performance audit work ³	100,968	97,405
Grant certification work ⁴	45,000	57,291
Other financial audit work ⁵		
• Shared Regulatory Service	12,285	11,844
• Adoption Services	1,130	1,130
• Welsh Church Fund	1,400	1,400
Total fee	332,136	334,570

- 33 We are unable to charge more than the cost of work undertaken in any given year, such that any underspend against the estimated fee will be refunded to the Council at year end.
- 34 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.
- 35 Further information can be found in my [Fee Scheme 2022-23](#).

Audit team

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

Exhibit 4: my audit team

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

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

² Payable November 2021 to October 2022.

³ Payable April 2022 to March 2023.

⁴ Payable as work is undertaken.

⁵ Payable as work is undertaken.

Name	Role	Contact number	E-mail address
Clare James	Engagement Director	029 2082 9330	clare.james@audit.wales
Steve Wyndham	Audit Manager (Financial Audit)	02920 320664	steve.wyndham@audit.wales
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786 111385	sara-jane.byrne@audit.wales
Ian Phillips	Audit Lead (Performance Audit)	07811 757163	ian.phillips@audit.wales

37 We can confirm that team members are all independent of you and your officers.

Timetable

38 The key milestones for the work set out in this plan are shown in **Exhibit 5**.

39 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act.

Exhibit 5: Audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	January to April 2022	April 2022

Planned output	Work undertaken	Report finalised
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	January to October 2022	October 2022
Performance audit work: <ul style="list-style-type: none"> • Assurance and Risk Assessment project • Thematic Review – unscheduled care • Thematic Review [tbc] • Local project [tbc] 	Timescales for individual projects will be discussed with the Council and detailed within the specific project briefings produced for each piece of work.	
Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic rates • Teachers' Pension • Flood defence scheme 	November to January 2023	February 2023
Annual Audit Summary	N/A	December 2022



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