



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan – City and County of Swansea

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2017 Audit Plan

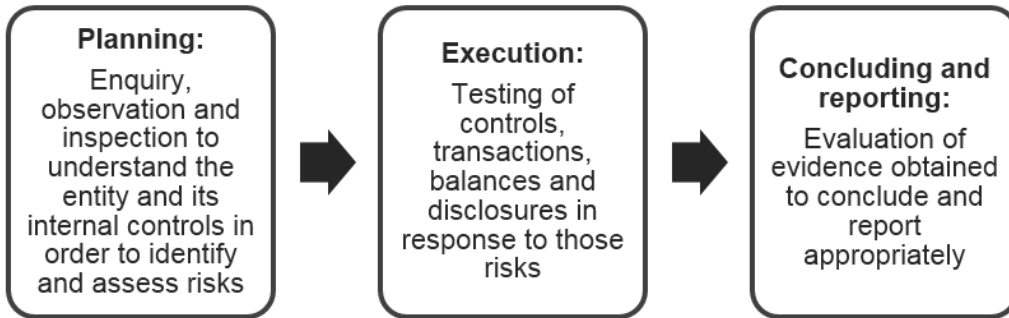
Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations 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, namely to:
 - examine and certify whether your financial statements are 'true and fair';
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged the duties and met the requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Financial Statements

- 5 It is my responsibility to issue a certificate and report on the financial statements, which includes an opinion on their 'truth and fairness'.
- 6 I also consider whether or not the City and County of Swansea (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.
- 7 [Appendix 1](#) sets out my responsibilities in full. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



8 The risks to my audit of your financial statements are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: financial statements risks

Financial statement risks	Proposed audit response
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 in accordance with International Standards on Auditing (ISA) 240.	My audit team will: <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; • evaluate the rationale for any significant transactions outside the normal course of business; and • incorporate an element of 'unpredictable audit work', which varies each year.
There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk in accordance with ISA 240.	My audit team will: <ul style="list-style-type: none"> • test the appropriateness of a sample of journals processed to income and non-pay expenditure ledger codes during the year; • review the application of relevant accounting policies to ensure that they are in compliance with accounting standards; and • analyse the various income streams and perform substantive procedures on a sample basis to ensure that income has been appropriately accounted for in the correct period.

Financial statement risks	Proposed audit response
<p>The Council is required to ensure that for Property Plant and Equipment (PPE) and Investment Properties held on the balance sheet the carrying amount is not materially different from the fair value of these assets at the year-end.</p> <p>The valuation process and the underlying assumptions adopted are subject to a number of judgements and changes in approach in 2016-17.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • consider the appropriateness of the Council's proposed approach to the valuation of PPE and Investment Properties; and • test the valuation of such assets on a sample basis using internal valuation specialists as appropriate.
<p>The Council's 2015-16 financial statements included a number of material provisions. These provisions will again be required in 2016-17 and by their nature, they are uncertain and require a high degree of estimation. These include provisions for the future maintenance of land-fill sites and employee-related expenses.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information, including progress; and • review all material provisions to ensure that they are fairly stated.
<p>There are a number of risks relating to the preparation of the financial statements:</p> <ul style="list-style-type: none"> • risk of material misstatement arising from changes to CIPFA's Code of Practice on Local Authority Accounting in the presentation and restatement of prior-year information and a requirement to prepare the new 'Expenditure and Funding Analysis Statement'. • the Council has an interest in seven companies. There is a risk that the Council's share of assets and liabilities is not reflected in the financial statements in accordance with the requirements of accounting for groups. 	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the new reporting requirements and the restated Comprehensive Income and Expenditure Statement to ensure that they comply, in all material respects, with the CIPFA Code of Practice on Local Authority Accounting; • undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements; and • review the accounting treatment and disclosure of group operations to ensure that they are accurately and appropriately reflected in the financial statements.
<p>The financial statements include a number of disclosures as being material by nature. These include the disclosure of Related Parties and the Remuneration note. There is a risk that exit packages paid by the Council do not fully comply with the requirements of CIPFA's code and the Council's polic, and are considered sensitive by nature.</p>	<p>My team will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p>

- 9 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 financial statements being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 10 For reporting purposes, I will treat any misstatements below a 'trivial' level (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 11 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - 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.
- 12 In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government, which provides information about the Council to support preparation of Whole of Government Financial statements.
- 13 I am also responsible for the audit of the City and County of Swansea's Pension Fund's financial statements. A separate Audit Plan and fee will be agreed for this work.
- 14 Finally, we are required to audit the financial statements of Swansea Bay Port Health Authority. A separate fee will be agreed for this work.

Certification of grant claims and returns

- 15 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#). My audit fee for this work is set out in [Exhibit 7](#).
- 16 [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2015-16.

Exhibit 3: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2015-16

In 2015-16, we audited 13 claims and returns of which four were qualified. The key issues resulting in qualification were:

- the inclusion of expenditure which did not relate to the financial year being audited;
- non-compliance with the Council's Financial Regulations;
- non-compliance with the Council's standing orders for contracts;
- late extension of partnership agreements;
- lack of evidence to support the apportionment of staff costs; and
- lack of evidence to demonstrate value for money.

Effectiveness of grant co-ordination arrangements

Whilst the Council has improved its overall arrangements for the preparation and certification of claims and returns in recent years, there is still scope for further improvement. In particular the Council needs to ensure that:

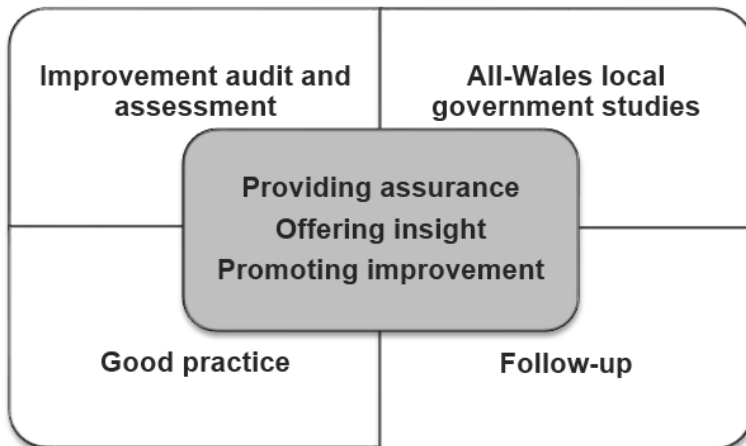
- grant checklists are completed to improve quality assurance arrangements;
- only eligible expenditure, including that incurred within the claim period, is included within the claim;
- standing orders are complied with including Contract Procedure Rules; and
- there is monitoring to give the Council, and grant-paying body sufficient assurance over expenditure made by third parties.

17 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 2](#).

Performance audit

18 The components of my performance audit work are shown in [Exhibit 4](#).

Exhibit 4: components of my performance audit work



- 19 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and local government reform remains under consideration.
- 20 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 21 During 2016 I consulted with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
- 22 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. [Exhibit 5](#) summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

Exhibit 5: local government studies

Study	Status
2015-16 studies	
Community safety	Published October 2016
Income generation and charging	Published November 2016
Council funding of third-sector services	Published January 2017
2016-17 studies	
How local government manages demand	Fieldwork
Strategic commissioning	Fieldwork
Improving wellbeing through housing adaptations	Fieldwork

23 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

Exhibit 6: performance audit programme

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit.	Audit of discharge of duty to publish an improvement plan, and to set improvement objectives.
Local risk based work for 2017-18 has yet to be agreed with the Council.	To be confirmed. We will provide an update to the Audit Committee once this work has been agreed.
Service User Perspective review	A user-focussed review. Specific area to be agreed with the Council.
Well-being of Future Generations (WFG) baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.
WFG Scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including public service board (PSB) scrutiny, facilitating improvement and the sharing of good practice.
2017-18 Local Government Studies	Funded by the Welsh Government
Services to rural communities	To be confirmed

Performance audit programme	Brief description
Use of data	To be confirmed
Intermediate care fund	To be confirmed

- 24 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

- 25 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 26 Your estimated fee for 2017 is set out in [Exhibit 7](#). This figure represents a one per cent decrease compared to the fee set out in the 2016 Plan.

Exhibit 7: audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of financial statements ²	262,000	262,000
Performance audit work: ³	99,537	104,188
Grant certification work ⁴	80,000	80,000
Other financial audit work ⁵	1,600	1,600
Total fee	443,167	447,788

Notes:

- ¹ The fees shown in this document are exclusive of VAT, which is no longer charged.
- ² Payable November 2016 to October 2017.
- ³ Payable April 2017 to March 2018.
- ⁴ Payable as work is undertaken.
- ⁵ Independent examination of Swansea Bay Port Health Authority.

- 27 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 Director of Resources and the Audit Committee.

- 28 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 29 The main members of my team, together with their contact details, are summarised in [Exhibit 8](#).

Exhibit 8: my team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director and Engagement Lead – Financial Audit	02920 320500	john.herniman@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320599	huw.rees@audit.wales
Geraint Norman	Financial Audit Manager	07810 056683	geraint.norman@audit.wales
David Williams	Financial Audit Team Leader	07812 670234	david.williams@audit.wales
Steve Barry	Performance Audit Manager	07786 190210	steve.barry@audit.wales
Samantha Clements	Performance Audit Lead	07879 848672	samantha.clements@audit.wales

- 30 There is one independence issue to report to you. The Financial Audit Manager's spouse is employed as a Primary School Head Teacher by the Council and is an active member of the Teacher's Pension Scheme. I will ensure additional audit controls are put in place for the audit of the Education and Payroll Services. With this one exception, I can confirm that my team members are all independent of the Council and your officers and I am not aware of any further potential conflicts of interest that I need to bring to your attention.

Timetable

- 31 I will provide reports, or other outputs as agreed, to the City and County of Swansea covering the areas of work identified in this document. My key milestones are set out in [Exhibit 9](#).

Exhibit 9: timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan	January to February 2017	March 2017
Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	March to September 2017	September 2017 September 2017 October 2017
Performance work: <ul style="list-style-type: none"> • Improvement Plan Audit • Assessment of Performance Audit • Service user perspective review • Local risk-based work 	March to April 2017 November 2017 To be confirmed To be confirmed	April 2017 November 2017 To be confirmed To be confirmed
Annual Improvement Report	April 2017 – May 2018	June 2018
2018 Audit Plan	January – February 2018	March 2018
WFG: baseline assessment	To be arranged	N/A
WFG: scrutiny review	To be arranged	N/A

* Subject to timely clearance of draft findings with the City and County of Swansea.

Future developments to my audit work

Well-being of Future Generations (Wales) Act 2015

32 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their wellbeing objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 33 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 34 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in Wales;
 - how you manage risk around organisation change, service transformation and innovation; and
 - measuring outcomes: who's doing it and how (linked to the WFG Act).

Appendix 1

Respective responsibilities

Audit of financial statements

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the City and County of Swansea has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the City and County of Swansea's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the City and County of Swansea's financial statements and related documents, to ask me, as the Appointed Auditor questions about the financial statements and, where appropriate, to challenge items in the financial statements. I must also consider whether in the public interest, I should make a report on any matter, which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities, which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the City and County of Swansea from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Public Audit (Wales) Act 2004 requires auditors, by examination of the accounts or otherwise, to satisfy himself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of their functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2015-16
BEN01 Housing Benefits Subsidy	Ongoing	£89,957,722	None.
EDU18 Transitional SBIG T3 and 21st Century Schools	2009 – 2019	£5,573,235	None.
EYC01 Flying Start	2006 – 2017	£6,129,051	None.
EYC02 Flying Start Capital	2012 – 2017	£475,938	<ul style="list-style-type: none">• A sample of payments were not authorised in accordance with the Council's Financial Regulations.• Two separate contracts totalling £63,884 were awarded in the year without following the Council's contract procedure rules which is contrary to grant funding rules.
EYC14 Families First	2012 – 2017	£3,384,662	None.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2015-16
HLG01 Section 33 NHS (Wales) Act 2006 Pooled Budgets	Ongoing	£2,051,425	<ul style="list-style-type: none"> • The original partnership agreement between ABMULHB and NPTCBC expired on 31 March 2015 and was not formally extended until August 2016. • The method used to apportion the staff costs of a number of employees paid directly from the Fund was not formally documented or supported by timesheets or contract documentation. • Most equipment purchased through the Fund relates to standard (i.e. catalogue) stock. The catalogue had not been subject to review for some time. As a result the service could not demonstrate that products purchased from the catalogue provide value for money.
LA01 NDR Non-Domestic Rates Return	Ongoing	£92,192,518	None.
PEN05 Teachers' Pension Return	Ongoing	£73,662,452	None.
RG03 Communities First	Ongoing	£2,699,237	None.
SOC07 Social care workforce development programme	Ongoing	£539,011	<ul style="list-style-type: none"> • The claim included expenditure of £22,915 which related to expenditure incurred outside of the claim period. • For some transactions there was no evidence to demonstrate compliance with the Council's contract procedure rules.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2015-16
TRA15 Local Transport Grant	Ongoing from April 2014	£2,318,000	The claim included expenditure of £23,248, which related to expenditure incurred outside of the claim period.
TRA23 Free Concessionary Travel	Ongoing	£6,505,462	None.
TRA27 Bus Services Support Grant	2014/15 and 2015/16	£10,273,172	None.

Appendix 3

Performance work in last year's audit outline still in progress

Exhibit 11: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Financial Resilience	Final report due to be issued March 2017.	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
Governance	Draft report due to be issued March 2017.	This review will provide councils with a baseline from which to plan improvements to governance following the introduction of CIPFA's revised framework and the requirement for councils to adopt the sustainable development principle from April 2016.
Aligning the levers for change	Scoping.	Researching the Council's response to challenges facing local government.
Annual Improvement Report (AIR)	Scheduled for June 2017	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'.

Appendix 4

National value-for-money studies

The Council may also be interested in the national value-for-money examinations, which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Financial statements Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

Exhibit 12 covers all of the value-for-money studies work currently programmed.

The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Financial statements Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Exhibit 12: National value-for-money studies

Topic	Actual or anticipated publication date
Outpatient follow-up appointments	February 2017
Governance and oversight of arms-length bodies (discussion paper)	February 2017
Welsh Government oversight of further education institutions' finances and delivery	March 2017
Circuit of Wales	February 2017
Emergency ambulance services commissioning	February 2017
21st century schools and education programme	March 2017
Public procurement landscape review	April to July 2017
Waste management (waste prevention)	April to July 2017

Topic	Actual or anticipated publication date
Waste management (municipal recycling) ²	April to July 2017
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium-term planning)	April to July 2017
Supporting People programme	April to July 2017
NHS Wales informatics services	April to July 2017
Access to public services with the support of specialist interpretation and translation	August to October 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	August to October 2017
Early intervention and behaviour change	To be confirmed ³

² In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

³ My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

Appendix 5

Other future developments

Forthcoming key IFRS changes relevant to all local government bodies

Exhibit 13: forthcoming key IFRS changes

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online.

The focus of GPX events includes financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.

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