

2020 Audit Plan – City & County of Swansea Council

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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 Council's 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 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.
- 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 Council once the current

national emergency situation is over and the Council 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 are 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);
 - auditing the Council's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
 - the audit of Swansea Bay Port Health Authority; and
 - the certification of a number of grant claims and returns as 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).

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
Significant risks	
<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"> • 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.
Other areas of audit attention	
<p>Introduction of the Oracle Cloud based system</p> <p>The Council is introducing a new cloud based financial system in the last quarter of 2020. Given the magnitude of the project, there is an inevitable impact on the capacity of Finance staff. This could, in turn, impact on the ability of staff to produce the financial statements to the expected quality standards and to any agreed deadlines.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • continue to review the accounts closure plans; • provide an audit deliverables report to assist in the preparation of relevant working papers; • assess the Council's quality arrangements supporting the production of the financial statements; and • assess whether additional estimates have been included in the financial statements and, if necessary, tailor our audit approach accordingly.

Audit risk	Proposed audit response
Significant risks	
<p>City deal</p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.</p> <p>The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding.</p> <p>Business cases have been approved for two projects, including the Swansea Central Phase 1 project. Welsh Government has made their first annual contribution of £18 million to the joint committee and the Council is expecting to receive £7.4 million from the joint committee for this project before 31 March 2020.</p> <p>The joint committee will have to produce its first full set of financial statements in 2019-20. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.</p>	<p>Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the accounting implications for the 2019-20 financial year.</p>

Audit risk	Proposed audit response
Significant risks	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, 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, including the Local Government pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.</p>
<p>Impact of COVID-19</p> <p>The COVID-19 national emergency will see a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around 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>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
Other areas of audit attention	
<p>Capital expenditure on the Swansea Central Phase 1 project</p> <p>The Council has started progressing the Swansea Central Phase 1 project and by 31 March 2020 will have spent approximately £18 million on the project. A large percentage of this expenditure will relate to the planning and design phases of the project. However, some of the expenditure may not satisfy the criteria of being capital expenditure and there is a risk that this expenditure is not classified correctly between capital and revenue in the Statement of Accounts.</p>	<p>My audit team will undertake detailed audit testing of a sample of transactions to ensure that capital expenditure is correctly classified in the financial statements.</p>
<p>Consideration of related parties and senior officer remuneration disclosures</p> <p>We consider related party transactions and senior officer remuneration disclosures to be material by nature. As such, it is important that the Council maintains:</p> <ul style="list-style-type: none"> • an accurate register of declared interests' covering both the declarations made by relevant officers and Councillors; and • remuneration information covering senior officers. <p>There is a risk that not all relevant disclosures are included in the 2019-20 financial statements.</p>	<p>My audit team will assess the related party and senior officer remuneration disclosures to confirm they are accurate, complete and in accordance with the Code.</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
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
Assurance and Risk Assessment	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.
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 risk-based project	Project to identify the level of audit assurance in relation to the Sustainable Swansea – Fit for the Future Transformation Programme.

Certification of grant claims and returns

17 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 3**.

Exhibit 3: summary of grant claim certification work

This table summarises my 2019-20 programme of grant claim certification work

Name of scheme	Period of scheme
Housing Benefit Subsidy	2019-20
Teachers' Pension return	2019-20
NDR Non-Domestic Rates return	2019-20
Pooled Budget Memorandum account	2019-20

18 My proposed audit fee for this work in 2019-20 is set out below in **Exhibit 4**. As previously notified to the Council, the Welsh Government has removed the requirement for certification of grants that they issue to the Council from the 2019-20 financial year onwards. As a result, the proposed fee for this work in 2019-20 has been reduced.

Fee, audit team and timetable

19 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.

20 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

21 Your estimated fee for 2020 is set out in **Exhibit 4**. There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 9% decrease compared to your actual 2019 fee.

Exhibit 4: 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 (£) ¹	Actual fee last year (£)
Audit of accounts ²	237,000	247,00
Performance audit work ³	99,310	99,449
Grant certification work ⁴	30,000	56,538
Other financial audit work ⁵	1,887	1,887
Total fee	368,197	404,874

22 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.

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

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

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken

⁵ Audit of Swansea Bay Port Health Authority

Audit team

24 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director	07799 581886	huw.rees@audit.wales
Anthony Veale	Engagement Lead – Financial Audit	07896 271873	anthony.veale@audit.wales
Jason Garcia	Audit Manager (Financial Audit)	07792 015416	jason.garcia@audit.wales
Daniel King	Audit Lead (Financial Audit)	07970 166767	daniel.king@audit.wales
Colin Davies	Audit Manager (Performance Audit)	07786 800258	colin.davies@audit.wales
Justine Morgan	Audit Lead (Performance Audit)	07799 476570	justine.morgan@audit.wales

Timetable

25 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.

26 Therefore, we will report on a timetable for our audit work in due course.

- 27 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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