

2022 Audit Plan – City and County of Swansea Council

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Contents

2022 Audit Plan	
About this document	4
My duties	4
Impact of COVID-19	5
Audit of financial statements	5
Performance audit	7
Certification of grant claims and returns	9
Statutory audit functions	9
Fee, audit team and timetable	10

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 City and County of Swansea's (the Council's) financial statements 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’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.
- 9 In addition to my responsibilities for auditing the Council’s financial statements, I 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 independent examination of Swansea Bay Port Health Authority’s annual return; 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 There have been no limitations imposed on me in planning the scope of this audit.
- 13 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

- 14 The following table sets out the 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>Management override of controls</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>Accounting for historic cost depreciation</p> <p>The Council has incorrectly accounted for the historic cost depreciation transfer between the revaluation reserve and capital adjustment account since at least 2011-12. It has been unable to quantify the value of the misstatement to correct the error and as both reserves were potentially materially misstated, the Council's 2020-21 financial statements were qualified.</p> <p>If the Council's further analysis of its accounting records is unable to assess and correct this error, there is an increased risk that the revaluation reserve and capital adjustment account remain materially misstated.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the processes and assumptions used to analyse the accounting records in respect of the revaluation reserve; • review any estimated adjustments for bias; and • test the adjustments made to ensure they have been correctly calculated and reflected in the financial statements.
Other audit risks	
<p>COVID-19 funding</p> <p>The COVID-19 pandemic has had a significant impact on the risks of material misstatement and the shape and approach to my audit. Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third</p>	<p>We will review the funding streams received from Welsh Government and confirm the appropriate accounting treatment with the Council.</p>

Audit risk	Proposed audit response
<p>parties on behalf of the Welsh Government. Payments have been made available through a number of different schemes over the course of 2021-22 and the amounts involved are material to the accounts. There is a risk of incorrect accounting treatment for COVID-19 funding, ie principal or agency arrangements.</p>	
<p>Valuation of Copr Bay development The Copr Bay development has incurred significant levels of capital expenditure which has been included to date in assets under construction. Significant elements of this development, comprising a number of separately identifiable assets have been brought into use in the year and the Council is required to revalue assets under construction when they are brought into use. The valuation basis for assets in use depends upon the asset type and category. There is therefore a risk that these assets may not be classified correctly and hence valued on the correct basis.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the processes and assumptions used to categorise and value assets brought into use and the instructions issued to the valuer; • evaluate the competence; capabilities and objectivity of the Council's valuation expert; and • test the valuations made to ensure they are correctly reflected in the assets register and the financial statements.
<p>Estimation in asset valuations Accounting for Property, Plant and Equipment continues to be one of the most challenging areas of the accounts. In light of the COVID restrictions that were in place during 2021-22 and uncertainties over market values for assets since the start of the pandemic, 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. In particular, this may be the case where assets have been valued on a rolling basis and not as at the financial year end.</p>	<p>We will 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>

Performance audit

15 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 four and five in relation to value for money and sustainable development.

- 16 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.
- 17 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.
- 18 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.
- 19 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.
- 20 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.
- 21 My auditors are liaising with the Council to agree the most appropriate time to examine the setting of well-being objectives.
- 22 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.
- 23 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>At the Council the project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • financial position • capital programme management • governance • use of performance information – with a focus on service user feedback and outcomes • setting of well-being objectives if applicable
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</p>

Performance audit programme	Brief description
	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.
Thematic review (to be confirmed)	To be confirmed following the consultation referred to in paragraph 26 below.
Local project to be confirmed	To be confirmed following further discussions with the Council.

- 24 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.
- 25 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.
- 26 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

- 27 I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefit, Teachers Pension and Non Domestic Rates returns.

Statutory audit functions

- 28 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.
- 29 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

- 30 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 that provided in previous years;
 - 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.
- 31 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 32 As set out in our Fee Scheme 2022-23 our 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.
- 33 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 3.5% increase compared to your actual 2021 fee.

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	£245,239	£237,000
Performance audit work ³	£102,676	£99,310
Grant certification work ⁴	£31,150	£30,100
Other financial audit work ⁵	£1,955	£1,887
Total fee	£381,020	£368,297

- 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**.

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 Independent examination of Swansea Bay Port Health Authority

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
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales
Gillian Gillett	Audit Manager (Financial Audit)	02920 829305	gillian.gillett@audit.wales
Daniel King	Audit Lead (Financial Audit)	02920 829373	daniel.king@audit.wales
Non Jenkins	Audit Manager (Performance Audit)	02920 320500	non.jenkins@audit.wales
Justine Morgan	Audit Lead (Performance Audit)	02920 320500	justine.morgan@audit.wales

37 We can confirm that team members are all independent of you and your officers. In addition, we are not aware of any potential conflicts of interest that we need to bring to your attention.

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 – March 2022	April 2022
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February - October 2022	October 2022 (to be confirmed) October 2022 (to be confirmed)
Performance audit work: <ul style="list-style-type: none"> • Assurance and Risk Assessment project • Thematic Review – unscheduled care • Thematic Review • Local project 	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 return • Pooled Budget Memorandum Account • SCWWDP return 	October – December 2022	October – December 2022
Other financial audit work <ul style="list-style-type: none"> • Whole of Government Accounts return • Swansea Bay Port Health Authority – independent examination 	To be confirmed August – September 2022	To be confirmed September 2022
Annual Audit Summary	N/A	December 2022 (subject to completion of other work)

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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.