

City & County of Swansea – Detailed Audit Plan 2023

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

About Audit Wales

Our aims and ambitions

Assure



the people of Wales that public money is well managed

Explain



how public money is being used to meet people's needs

Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

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Introduction

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Council and Group's financial statements to make sure that public money is being properly accounted for.
- 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.
- 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.

Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Council.

In addition to my responsibilities for auditing the Council and 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);
- auditing the City & County of Swansea's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
- the limited assurance review of the Swansea Bay Port Health Authority; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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 is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

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

Performance audit work

I carry out a programme of performance audit work to discharge my duties¹ as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

¹ When we undertake audit work under our statutory powers and duties we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

Your audit at a glance



My financial statements audit will concentrate on the following areas of identified risks

My audit planning has identified the following risks:

Significant financial statement risk

- Management override of controls

Other areas of audit focus

- Valuation of pension fund liability
- Valuation of land and buildings
- New fixed asset register system
- Senior officer remuneration



My performance audit will include:

- Assurance and Risk Assessment and any follow up work
- Thematic reviews:
 1. Commissioning and contract management
 2. Financial sustainability in local government



Materiality

Materiality	£10.4 million
Reporting threshold	£518,000



Group

We will also perform an audit of City & County of Swansea Group (incorporating the National Waterfront Museum and the Wales National Pool).

Financial statements' materiality



Materiality £10.4 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2021-22 gross expenditure of £1,036 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Senior officer remuneration £1,000
- Related party disclosures £10,000 (for disclosures relating to individual Members or officers)

Significant financial statements' risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<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 240.32-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none">• assess the design and implementation of controls over journal entry processing;• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for bias; and• evaluate the rationale for any significant transactions outside the normal course of business.

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net liability</p> <p>The Local Government Pension scheme (LGPS) pension fund liability as reflected in the financial statements represents a material estimate.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary; and • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures require
<p>Valuation of land and buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts represent material estimates.</p> <p>Land and buildings are required to be held on a valuation basis which is dependant on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness; • evaluate the competence, capabilities and objectivity of the professional valuer; • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the

<p>Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts may be materially different to the current value of assets as at 31 March 2023.</p>	<p>revaluations have been correctly reflected in the financial statements;</p> <ul style="list-style-type: none"> • evaluate the assumptions made by management as to why it considers that land and buildings not revalued in 2022/23 are not materially misstated; and • test the reconciliation between the financial ledger and the asset register.
<p>New fixed asset register system</p> <p>The Council have implemented a new fixed asset register system during the year which will be used to produce all the entries in the financial statements relating to property, plant and equipment. There is a risk that asset information has not been transferred correctly to the new system which increases the risk that assets may not be correctly stated in the financial statements.</p>	<p>The audit team will</p> <ul style="list-style-type: none"> • review the migration of data from the old to the new system to ensure that information has been correctly transferred to the new system; • test a sample of asset transactions during the year to ensure they are in line with our expectations and correctly reflected in the financial statements.
<p>Senior officer remuneration</p> <p>The Council has detailed and complex disclosures for senior officer remuneration and there have been changes to appointments to these posts in 2022-23.</p> <p>There is a risk that these are not appropriately disclosed in the financial statements as remuneration paid to senior officers continues to be of high interest and are material by nature.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • understand the movements in the senior officer team during 2022-23. • ensure that remuneration disclosed is consistent with supporting evidence; and • ensure that amounts paid are consistent with those approved by the Council.

Financial statements' audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	March 2023	April 2023
2023 Detailed Audit Plan	September/October 2023	October 2023
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	November 2023 - March 2024	March 2024

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

<p>Assurance and risk assessment and any follow up work</p>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle. This Assurance and Risk assessment work may involve any follow up/tracer work that we may identify from our audit reports and recommendations in previous years.</p>	<p>Ongoing</p>
<p>Thematic review – financial sustainability of local government</p>	<p>A review of councils’ financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.</p>	<p>Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each audit.</p>
<p>Thematic review – commissioning and contract management</p>	<p>A review focusing on how councils’ arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.</p>	<p>Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each audit.</p>

We will provide updates on the performance audit programme through our regular updates to Council officers and Governance and Audit Committee.

Certification of grant claims and returns, and statutory audit functions

Certification of grant claims and returns

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 pooled budget returns.

Statutory audit functions

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.

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 and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £418,181

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the estimated audit fee for last year.

Audit area	Proposed fee (£) ²	Estimated fee last year (£)
Audit of accounts ³	281,932	245,329
Performance audit work ⁴	108,332	102,676
Grant certification work ⁵	25,828	24,645
Other financial audit work ⁶	2,089	2,032
Total fee	418,181	374,682

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.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

² Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

³ Payable November 2022 to October 2023.

⁴ Payable April 2023 to March 2024.

⁵ Payable as work is undertaken.

⁶ Swansea Bay Port Health Authority

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320 651	Derwyn.Owen@audit.wales
Gillian Gillett	Audit Manager (Financial Audit)	02920 829 305	Gillian.Gillett@audit.wales
Non Jenkins	Audit Manager (Performance Audit)	02920 320 500	Non.Jenkins@audit.wales
Leanne Malough	Audit Lead (Financial Audit)	02920 320 687	Leanne.Malough@audit.wales
Bethan Roberts	Audit Lead (Performance Audit)	02920 829 366	Bethan.Roberts@audit.wales

I can confirm that my team members are all independent of the Council and your officers.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on the Council

Key change	Potential impact on the Council
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none">• information on your organisation’s business model and how it integrates the use of information technology (IT);• information about your organisation’s risk assessment process and how your organisation monitors the system of internal control;• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and• more detailed discussions with your organisation to support the audit team’s assessment of inherent risk.
Obtaining an enhanced understanding of your organisation’s environment, particularly in relation to IT	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none">• IT applications relevant to financial reporting;• the supporting IT infrastructure (e.g. the network, databases);• IT processes (e.g. managing program changes, IT operations); and• the IT personnel involved in the IT processes. <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on the Council
<p>Enhanced requirements relating to exercising professional scepticism</p>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p>Risk assessments are scalable depending on the nature and complexity of the audited body</p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p>Audit teams may make greater use of technology in the performance of their audit</p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

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