

2020 Audit Plan – Swansea Bay City Deal Region Joint Committee

Audit year: 2019-20

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Summary report

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 This will be the first year that the Swansea Bay City Deal Region Joint Committee (The Joint Committee) will be producing full financial statements and we will be auditing these financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Joint Committee 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.

Impact of COVID-19

- 4 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.
- 5 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.
- 6 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.
- 7 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the authority once the current national emergency situation is over and the authority is in a position to prepare its accounts.
- 8 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

- 9 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 Joint Committee's financial statements by 15 September 2020.
 - assess whether the Joint Committee's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were consistent with the financial statements prepared by the Joint Committee and with our knowledge of the Joint Committee.
- 10 In addition to our responsibilities for auditing the Council's financial statements, we 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).
- 11 There have been no limitations imposed on me in planning the scope of this audit.
- 12 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

- 13 The following table sets out the significant risks I have identified for the audit of the Joint Committee.

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	
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].	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; and

Audit risk	Proposed audit response
	<ul style="list-style-type: none"> • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 – general risks The COVID-19 national emergency is likely to have a significant impact on the joint committee and its accounts production process. Potential risks include:</p> <p>Subsequent events The Joint Committee may not be able to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance-sheet events but some form of disclosure may be needed.</p>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> • we will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework; • we will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue; • we will ensure that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations); • we will also consider whether assumptions are appropriate in the circumstances; and • we will adopt a greater focus on the following areas: <ul style="list-style-type: none"> – the financial statement closing process (in particular journal entries and other adjustments made); and – the auditor’s evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>As the Joint Committee will be preparing accounts for the first time, there is an increased risk that the draft statements submitted for audit do not comply fully with relevant accounting standards.</p>	<p>My Audit team will carry out detailed audit testing on all material balances and transactions.</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 and the Welsh Government has made their first annual contribution of £18 million to the Joint committee. As such, the Joint Committee will have to produce its first full set of financial statements in 2019-20.</p> <p>As a relatively newly established organisation, there is increased risk that internal financial governance arrangements may not be fully developed and/or operating as intended. The organisation needs to ensure that robust procedures exist in the following areas:</p> <ul style="list-style-type: none"> • internal financial controls such as comprehensive financial regulations and strong budgetary control; • standards of financial conduct; and 	<p>We will carry out detailed audit testing to ensure that transactions are accurately recorded, relate to the financial period and there is a specific legal provision to enter into the transaction.</p>

Audit risk	Proposed audit response
<ul style="list-style-type: none"> arrangements to ensure that the Joint Committee only enters into transactions where there is specific legal provision for them to do so. 	

Performance audit

- 14 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. For 2020-21 this work will focus on assessing if the Joint Committee is putting in place proper arrangements to secure value for money in the use of resources. We will do this through the ongoing monitoring of value for money and governance arrangements.

Fee, audit team and timetable

- 15 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.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

17 Your estimated fee for 2020 is set out in **Exhibit 2**.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work.

Audit area	Proposed fee (£) ¹
Audit of accounts ²	11,949
Performance audit work ³	6,860
Total fee	18,809

18 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 Chief Finance Officer.

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

Audit team

20 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: my audit team

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

Name	Role	Contact number	E-mail address
Ann Marie Harkin	Engagement Director and Engagement Lead – Financial Audit	02920 320500	Ann-Marie.Harkin@audit.wales

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

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Lead – Performance Audit	02920 320599	Huw.Rees@audit.wales
Jason Garcia	Audit Manager (Financial Audit)	07792 015416	Jason.garcia@audit.wales
Lucy Herman	Audit Lead – Senior Auditor (Financial Audit)	02920 320500	Lucy.Herman@audit.wales
Tim Buckle	Audit Manager (Performance Audit)	02920 320653	Timothy.Buckle@audit.wales

Timetable

- 21 Financial accounts work will be undertaken over the period February to September 2020. Performance audit work will be undertaken over the period April 2020 to March 2021.
- 22 I can confirm that my team members are all independent of the Joint Committee 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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