

2021 Audit Plan – Swansea Bay City Deal Region Joint Committee

Audit year: 2020-21

Date issued: March 2021

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 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 Joint Committee's financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Joint Committee 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.

Impact of COVID-19

- 5 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 6 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may 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 my statutory responsibilities as the Auditor General, my 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.
- 7 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

- 8 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the authority as the 2021 position becomes clearer.

Audit of financial statements

- 9 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 Joint Committee's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Joint Committee'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 Joint Committee.
- 10 In addition to my responsibilities for auditing the Council'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)
- 11 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 Audit Committee prior to completion of the audit.
- 12 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.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 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

15 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	
<p>Management Override</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>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; • evaluate the rationale for any significant transactions outside the normal course of business;
<p>Impact of COVID-19</p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit 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>

Other area of audit attention

Governance Arrangements

The Joint Committee has been subject to a variety of governance reviews since inception including a gateway review by Welsh Government in 2020 which proposed recommendations to strengthen overall governance.

The joint committee has responded to these reviews making a number of governance changes. These changes are being embedded into operational processes with the aim of ensuring that robust procedures exist in the following areas:

- internal financial controls such as comprehensive financial regulations and strong budgetary control;
- identifying and reviewing related parties;
- standards of financial conduct; and
- arrangements to ensure that the Joint Committee only enters into transactions where there is specific legal provision for them to do so.

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 the transaction.

We will review the Annual Governance Statement to ensure it is consistent with our understanding of the Joint Committee's revised governance arrangements and prepared as required by CIPFA guidance.

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. 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.
- 17 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.

18 We also understand that the introduction of Corporate Joint Committees under the Local Government and Elections (Wales) Act 2021 may impact the future organisational structure and governance arrangements for the City Deal region. This may result in some additional audit work in relation to any newly introduced arrangements. Should this occur I will discuss any potential fee implications with the Chief Finance Officer.

Statutory audit functions

19 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.

20 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

21 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 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;
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

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

Fee

23 Your estimated fee for 2021 is set out in **Exhibit 2**. This is consistent when compared to your actual 2020 fee.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, 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	10,925	10,925
Performance audit work ³	6,860	6,860
Total fee	17,785	17,785

24 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 Chief Financial Officer.

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

Audit team

26 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
Richard Harries	Engagement Director	07789 397018	Richard.Harries@audit.wales

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

² Payable November 2020 to October 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
Non Jenkins	Audit Manager (Performance Audit)	07879 848671	Non.Jenkins@audit.wales
Lucy Herman	Audit Lead- Senior Auditor (Financial Audit)	02920 320680	Lucy.Herman@audit.wales

Timetable

- 27 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 28 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Joint Committee’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. The current COVID restrictions may impose restrictions on the Joint Committee’s ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors’ rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	March 2021	March 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	March - July 2021	September 2021 September 2021
Performance audit work	Timescales for our work will be discussed with you and detailed within the specific project briefings.	

29 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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We welcome correspondence and telephone calls in Welsh and English.
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