



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2017 Audit Plan – **City of Cardiff Council**

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This document is also available in Welsh.

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# 2017 Audit Plan

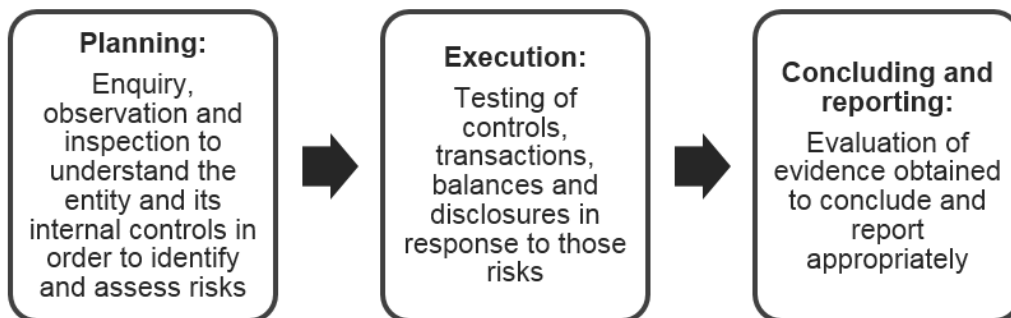
## Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are ‘true and fair’;
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
- 6 I also consider whether or not the City of Cardiff Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<p><b>Financial Statement Production and Accounting Disclosure Issues</b></p> <p>The timetable for producing the financial statements remains demanding, with an expectation that faster closing will be needed in future when accounts deadlines move forward. Management will need to ensure that appropriate arrangements remain in place to prepare robust financial statements compliant with the Code of Practise on Local Authority Accounting and to consider areas where the closedown and collation process can be accelerated in readiness for the expected future faster closing requirements. The Code has imposed revised accounting arrangements for 2016-17 which apply retrospectively and require restatement of the 2015-16 comparator data, comprising –</p> <ul style="list-style-type: none"> <li>• the basis of presenting Net Cost of Services within the Comprehensive Income and Expenditure Statement; and</li> <li>• the introduction of a new Expenditure and Funding Analysis note.</li> </ul> <p>We are aware that management are looking to streamline the financial</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• Provide support and advice to the Council wherever possible without compromising our independence;</li> <li>• Review Closedown plans to assess that arrangements are in place to produce robust, Code compliant financial statements within the prescribed timetable; and</li> <li>• Undertake audit procedures designed to ensure sensitive disclosures and presentation of data is in accordance with the Code.</li> </ul>

Financial audit risk	Proposed audit response
<p>statements, looking to remove extraneous information and 'de-clutter' the disclosures to focus on key information relevant to the users of the accounts.</p> <p>Based on previous audit experience and issues reported in previous years, we shall also be considering risks concerning;</p> <ul style="list-style-type: none"> <li>• Presentation of service costs and revenues net of internal recharging between directorates;</li> <li>• Group account consolidation and disclosure of relevant information on all subsidiaries, joint committees and joint ventures (for example, the impact from the Cardiff Business Improvement District);</li> <li>• Presentation and collation of Remuneration Report disclosures;</li> <li>• Clear down of balances within Creditor balance codes; and</li> <li>• Accounting treatment of grant income recognised in the year of account.</li> </ul>	
<p><b>Financial Challenges and Management Override Risks</b></p> <p>The Council continues to face significant financial pressures in common with the rest of the public sector, stretching available resources to cover higher service demand in many areas. This increases the risks of manipulation of balances to understate expenditure or to overstate income. Risk is increased where judgement or estimation is required for example. .</p> <p>While the Council's control environment is designed to prevent manipulation, 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 at all audits.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• Reflect the Council's financial position in planning the audit and will direct audit testing to the areas of greatest risk;</li> <li>• Test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• Review accounting estimates for biases; and</li> <li>• Evaluate the rational for any significant transactions outside the normal course of business or those susceptible to management judgement.</li> </ul>
<p><b>Asset Management and Capital Programme Accounting</b></p> <p>The Council continue to progress a number of schemes summarised in the Capital Asset Management Plan to both redevelop and regenerate areas of the city and also</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• Review how capital schemes have been accounted for and disclosed within the financial statements; and</li> <li>• Review the recognition, classification and valuation of assets to ensure appropriate Code</li> </ul>

Financial audit risk	Proposed audit response
<p>reduce the asset portfolio to achieve both capital receipts and revenue savings from reduced maintenance and management costs. There is a risk that the financial implications, commitments and progress on these schemes will not be correctly reflected in the accounts.</p> <p>Previous audits have also identified accounting issues relating to the Council's assets, in particular the classification and valuation of assets as Investment Properties, incorrect capitalisation of non-enhancing expenditure and classification of assets held for sale. We also note that a significant proportion of the asset portfolio will have been revalued as at 31 March 2017.</p>	<p>compliant accounting treatment has been applied.</p>
<p><b>Cardiff Capital Region City Deal:</b></p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves 10 South Wales local authorities. The City Deal was ratified by all participating authorities on 1 March 2017. The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734m for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125m from the UK Government. In addition, the UK Government has provided a £375m contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120million as part of the Wider Investment Fund. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address.</p>	<p>Liaising closely with the external auditors of the other nine Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</p>

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 Audit Committee prior to completion of the audit.

- 11 For reporting purposes, I will generally treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - 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.
- 13 In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.



## Certification of grant claims and returns

- 14 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#). In 2017, the Council has been asked to participate in an expanded pilot of a new outcomes approach to the certification of Welsh Government grants. The specific claims and returns to be audited will be confirmed with officers and Welsh Government.
- 15 My audit fee for this work is set out in [Exhibit 7](#).

## Overall issues identified

- 16 [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2015-16.

### Exhibit 3: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2015-16
In 2015-16 there were 15 grant claims in respects of 12 schemes. We qualified 2 of the 15 compared to 2 of 18 claims qualified in 2014-15. The issues on which we qualified related to the underpayment of housing benefits which we are obliged to report to the Department of Work and Pensions, and the lack of a complete audit trail evidencing expenditure incurred and claimed by a third party partner organisation.
Effectiveness of grant coordination arrangements
Of the 15 claims for 2015-16 that required certification, 3 were submitted late. This represents a decline in performance from 2014-15 when all claims were submitted on time – however, the length and reason for the delays were acceptable for all three claims and relate to matters outside the Council's control

## Issues related to specific grant claims and returns

- 17 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 2](#).

## Other work undertaken

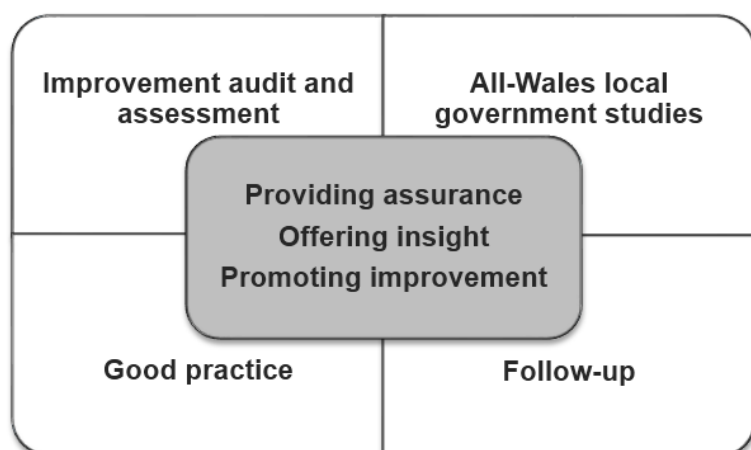
- 18 I am also responsible for the audit of:
- Cardiff Harbour;
  - Cardiff Port Health Authority;
  - Glamorgan Archives Joint Committee; and
  - Project Gwyrdd.
- 19 My audit fee for this work is set out in [Exhibit 7](#).

- 20 In addition to the above work, we will also be required to audit the annual return for the Cardiff Capital Region City Deal following the establishment of the joint committee on 1 March 2017. The level of work required this year on the annual return is relatively minor and has been incorporated into the main audit fee for this year. It will be separately shown in future years.
- 21 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has been considering a planned move to measure the local authority highways network asset at depreciated replacement cost. The Code Board decided at its meeting on 8 March 2017 that it would not now pursue this approach further.

## Performance audit

- 22 The components of my performance audit work are shown in [Exhibit 4](#).

**Exhibit 4: components of my performance audit work**



- 23 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies are required to adopt the principle of sustainable development from April 2016, and local government reform remains under consideration.
- 24 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 25 During 2016 I consulted with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;

- offering insight on the extent to which resources are used wisely in meeting people's needs; and
- identifying and promoting ways by which the provision of public services may be improved.

26 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 5** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

#### Exhibit 5: local government studies

Study	Status
<b>2015-16 studies</b>	
Community safety	Published October 2016
Income generation and charging	Published November 2016
Council funding of third sector services	Published January 2017
<b>2016-17 studies</b>	
How local government manages demand	Fieldwork
Strategic commissioning	Fieldwork
Improving well-being through housing adaptations	Fieldwork

27 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

#### Exhibit 6: performance audit programme

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 set improvement objectives

Performance audit programme	Brief description
Local risk based work for 2017-18 has yet to be agreed with the Council.	To be confirmed We will provide an update to the Audit Committee once this work has been agreed.
Service User Perspective review	A user-focussed review. Specific area to be agreed with the Council.
WFG baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.
WFG Scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including PSB scrutiny, facilitating improvement and the sharing of good practice
<b>2017-18 Local Government Studies</b>	Funded by Welsh Government
Services to rural communities	To be confirmed
Use of data	To be confirmed
Intermediate care fund	To be confirmed

- 28 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

## Fee, audit team and timetable

### Fee

- 29 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 30 Your estimated fee for 2017 is set out in [Exhibit 7](#). This figure represents a 1.7% decrease compared to the total actual fee for 2016.

## Exhibit 7: audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	279,664	291,200
Performance audit work <sup>3</sup>	108,801	108,774
Grant certification work <sup>4</sup>	65,000	58,644
Other financial audit work <sup>5</sup>		
Cardiff Harbour	17,318	17,333
Cardiff Port Health Authority	2,100	2,373
Glamorgan Archives Joint Committee	2,100	2,373
Project Gwyrdd	2,100	2,373
Welsh Purchasing Consortium <sup>6</sup>	-	2,373
<b>Total audit fee</b>	<b>477,083</b>	<b>485,443</b>

### Notes:

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.

<sup>2</sup> Payable November 2016 to October 2017.

<sup>3</sup> Payable April 2017 to March 2018.

<sup>4</sup> Payable as work is undertaken. There are changes to the grants programme for 2016-17 as the Council is one of the pilot sites for the new Welsh Government approach to auditing grants and EU convergence grants finished in 2016.

<sup>5</sup> Payable on conclusion of audit work

<sup>6</sup> 2015-16 was the last year of audit

- 31 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.
- 32 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

## Audit team

- 33 The main members of my team, together with their contact details, are summarised in [Exhibit 8](#).

## Exhibit 8: my team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director/ Engagement Lead – Financial Audit	02920 320500	<a href="mailto:ann-marie.harkin@audit.wales">ann- marie.harkin@audit.wales</a>
Huw Rees	Engagement Lead – Performance Audit	02920 320500	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Matthew Coe	Financial Audit Manager	02920 320626 07748 181683	<a href="mailto:matthew.coe@audit.wales">matthew.coe@audit.wales</a>
Jon Martin Tony Era	Financial Audit Team Leaders	02920 872259 02920 872258	<a href="mailto:jon.martin@audit.wales">jon.martin@audit.wales</a> <a href="mailto:tony.era@audit.wales">tony.era@audit.wales</a>
Steve Barry	Performance Audit Manager	029 2082 9323 / 07786 190210	<a href="mailto:steve.barry@audit.wales">steve.barry@audit.wales</a>
Tim Buckle	Performance Audit Lead	02920 320653 / 07854 652640	<a href="mailto:timothy.buckle@audit.wales">timothy.buckle@audit.wales</a>

- 34 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.

## Staff secondment

- 35 A trainee accountant employed by the Wales Audit Office has been seconded to the Council for the period 13 December 2016 to 28 April 2017. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.
- 36 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and the Council have agreed the following safeguards:
- secondees will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit the Council to a particular position or accounting treatment;
  - the secondees will undertake tasks at a relatively junior level, will be properly supervised and will not undertake a management role or be involved in the decision taking of the Council; and
  - the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016. On their return to the WAO, the secondees will not be involved in the audit of the Council's accounts.

## Timetable

37 I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 9](#).

### Exhibit 9: timetable

Planned output	Work undertaken	Report finalised
<b>2017 Audit Plan</b>	January/February 2017	March 2017
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul>	February – September 2017	September 2017 September 2017 October 2017
<b>Performance work:</b> <ul style="list-style-type: none"> <li>• Improvement Plan Audit</li> <li>• Assessment of Performance Audit</li> <li>• Service user perspective review</li> <li>• Local risk based work</li> </ul>	March-April 2017 November 2017 To be confirmed To be confirmed	April 2017 December 2017 To be confirmed To be confirmed
Annual Improvement Report	April 2017 – May 2018	June 2018
2018 Audit Plan	January – February 2018	March 2018
WFG: baseline assessment	TBA	N/A
WFG Scrutiny review	To be confirmed	To be confirmed

\* Subject to timely clearance of draft findings with the Council.

## Future developments to my audit work

### Well-being of Future Generations (Wales) Act 2015

38 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

## Other

- 39 Details of other future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 40 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in Wales;
  - how you manage risk around organisation change, service transformation and innovation; and
  - measuring outcomes: who's doing it and how (linked to Well-Being of Future Generations Act)..



# Appendix 1

## Respective responsibilities

### Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Public Audit (Wales) Act 2004 requires auditors, by examination of the accounts or otherwise, to satisfy himself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

# Appendix 2

## Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Housing Benefit Subsidy	2015-16	£152,847,125	<p>No significant issues identified</p> <p>We qualified the subsidy claim and also identified a small number of isolated errors that required adjustment.</p> <p>The qualification letter identified underpayments of £131; as there is no eligibility to subsidy for benefit which has not been paid, subsidy claimed is therefore correct despite the benefit being underpaid.</p> <p>A small number of isolated errors in processing claims were identified, with a value of £2,402, which affected eligibility to subsidy and were adjusted for.</p>
21st Century Schools	2015-16	£9,064,187	<p>No significant issues identified</p> <ul style="list-style-type: none"> <li>• Amendments were required to the claim form to correct errors made in completing it, but with no impact on the value of the final grant claimed.</li> </ul>
Flying Start – Revenue	2015-16	£9,701,780	No issues identified.
Flying Start – Capital	2015-16	£346,195	No significant issues identified. The claim was certified without amendment or qualification. Minor issues arose on procedures to deliver the claim for

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			audit and with receiving timely responses on audit queries.
Families First	2015-16	£5,392,922	No significant issues identified, The claim was amended by £19,859 to specifically remove accrued expenditure claimed on behalf of a third party partner which had not been incurred within the year of account. <ul style="list-style-type: none"> <li>Minor issue noted with the claim not being signed by the appropriate officer holding delegated authority to act as Chief Financial Officer.</li> </ul>
Substance Misuse Action Fund	2015-16	£3,646,679	No significant issues identified. <ul style="list-style-type: none"> <li>Minor issue noted with the initial claim submitted for audit was a photocopy rather than the original and as such could not bear the original signature of the Chief Financial Officer's delegate.</li> </ul>
Non domestic Rates Final Contribution	2015-16	£189,824,387	No significant issues identified. <ul style="list-style-type: none"> <li>Minor amendments were made to the return to ensure it was completed in full, in accordance with completion instructions.</li> </ul>
Teachers' Pensions Return	2015-16	£28,106,889	No issues identified.
Communities First – Cardiff East Cluster	2015-16	£699,355	No significant issues identified. This claim was certified without qualification or amendment. However, there were unadjusted errors that were, in total, below the Welsh Government's £10,000 threshold for amendment.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			<p>These errors related to:</p> <ul style="list-style-type: none"> <li>• inadequate documentation available from the third party cluster management;</li> <li>• failure to recognise prepayments made; and</li> <li>• over-estimation of the audit fee included in the central management recharge, as auditor time and fees incurred in the 2015-16 audit were less than the 2014-15 audit which the estimate was based on. This applied to all 4 Communities First claims.</li> </ul>
Communities First – Cardiff West Cluster	2015-16	£781,253	<p>No significant issues identified.</p> <p>This claim was certified without qualification or amendment. However, there were unadjusted errors that were, in total, below the Welsh Government's £10,000 threshold for amendment.</p> <p>These errors related to:</p> <ul style="list-style-type: none"> <li>• duplication of expenditure claimed in 2014-15;</li> <li>• failure to recognise prepayments made; and</li> <li>• over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.</li> </ul>
Communities First – BRG Cluster	2015-16	£681,793	<p>This claim was certified after an amendment and subject to a qualification letter.</p> <p>The amendment, to correct the apportionment of insurance costs, reduced the claim by £720.</p> <p>We qualified the claim because a third party partner organisation was unable to provide adequate</p>

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			<p>documentation to evidence the accuracy and completeness of £20,215 of employer pension contribution costs claimed.</p> <ul style="list-style-type: none"> <li>• There was also an unadjusted error below the Welsh Government's £10,000 threshold for amendment. This error related to over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.</li> </ul>
Communities First – STAR Cluster	2015-16	£758,759	<p>No significant issues identified.</p> <ul style="list-style-type: none"> <li>• This claim was certified without qualification or amendment. However, there was an unadjusted error below the Welsh Government's £10,000 threshold for amendment. This error related to over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.</li> </ul>
Social Care Workforce Development	2015-16	£753,389	No issues identified.
Local Transport Fund	2015-16	£958,000	<p>No significant issues identified.</p> <ul style="list-style-type: none"> <li>• The claim was certified without amendment or qualification. Minor issues noted regarding adherence to the agreed processes in the Joint Working Protocol to document the review of the claim and supporting working paper file prior to submission for audit, and provision of all information required in the</li> </ul>

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			checklist used to collate the working paper file.
Free Concessionary Travel by Elderly and Disabled People on Local Bus Services in Wales	2015-16	£10,673,622	<p>No significant issues identified regarding the claim. However, there was an unadjusted error that was, in total, below the Welsh Government's £10,000 threshold for amendment. One bus operator had under-claimed eligible expenditure relating to the 2015-16 period and instead this had been claimed and reimbursed in the present 2016-17 financial year, and will be included in the 2016-17 annual return despite not relating to that financial year.</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>• A separate report was made to Welsh Government on the percentage of concessionary journeys data collected by the installation and use of Smartcards by bus operators, stating no explanations were provided by those operators not reaching the Welsh Government's 98% target for Smartcard use.</li> <li>• A separate report was made to Welsh Government on the monitoring of ISAM asset management reports during the 2015-16 financial year. As monitoring began in the 2016-17 financial year, we reported that fact.</li> </ul>



# Appendix 3

## Performance work in last year's audit outline still in progress

Exhibit 11: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Financial Resilience	Final report due to be issued March 2017.	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focused on maintaining resilience over the medium to long term.
Governance	Final report due to be issued March 2017.	This review will provide councils with a baseline from which to plan improvements to governance following the introduction of CIPFA's revised framework and the requirement for councils to adopt the sustainable development principle from April 2016.
<b>Transformation</b>	Scoping.	This baseline review will examine how councils are approaching transformation
Review of the Councils arrangements for demonstrating it is addressing the recommendation and proposal for improvement in the Corporate Assessment follow-on report.	<p>To be included in Annual Improvement Report, June 2017</p> <p>Presentation issued December 2016</p> <p>Output originally due to be issued January 2017. Fieldwork now scheduled for February 2017.</p>	<p>Review of Council's monitoring of progress against Asset Management PFI</p> <p>Data Quality Review</p> <p>Review of the Council's monitoring and management of performance PFI</p>

Performance audit project	Status	Comment
	<p>Fieldwork scheduled for February 2017. Output to be issued April 2017</p> <p>To be included in Annual Improvement Report, June 2017</p> <p>To be included in Annual Improvement Report, June 2017</p> <p>To be included in Annual Improvement Report, June 2017</p>	<p>Review of Council's monitoring of progress against Governance PFIs</p> <p>Review of the Council's progress in monitoring actions in relation to Corporate Enablers PFIs</p> <p>Review of the Council's progress in monitoring actions in relation to Leadership and Management PFI</p> <p>Review of the Council's assessment of year end performance and outcomes for 2016-17</p>
Annual Improvement Report (AIR)	Scheduled for June 2017	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'

# Appendix 4

## National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

**Exhibit 12** covers all of the value-for-money studies work currently programmed.

The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

### Exhibit 12: national value-for-money studies

Topic	Anticipated publication (as at 3 January 2017)
Outpatient Follow-up Appointments	February 2017
Governance and Oversight of Arms-Length Bodies (discussion paper)	February 2017
Welsh Government Oversight of Further Education Institutions' Finances and Delivery	March 2017
Circuit of Wales	April 2017
Emergency ambulance services commissioning	February 2017
21st Century Schools and Education Programme	Mayh 2017
Public Procurement Landscape Review	April to July 2017
Waste Management (waste prevention)	April to July 2017
Waste Management (municipal recycling) <sup>2</sup>	April to July 2017

<sup>2</sup> In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

Topic	Anticipated publication (as at 3 January 2017)
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium-term planning)	April to July 2017
Supporting People programme	April to July 2017
NHS Wales informatics services	April to July 2017
Access to public services with the support of specialist interpretation and translation	August to October 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	August to October 2017
Early intervention and behaviour change	TBC <sup>3</sup>

<sup>3</sup> My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

# Appendix 5

## Other future developments

### Forthcoming key IFRS changes

Exhibit 13: forthcoming key IFRS changes

Standard	Effective date	Further details
<b>IFRS 9 Financial instruments</b>	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
<b>IFRS 15 Revenue from contracts with customers</b>	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
<b>IFRS 16 Leases</b>	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

## Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.



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