



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – **The County Council of the City and County of Cardiff**

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This document is also available in Welsh.

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2018 Audit Plan

Summary

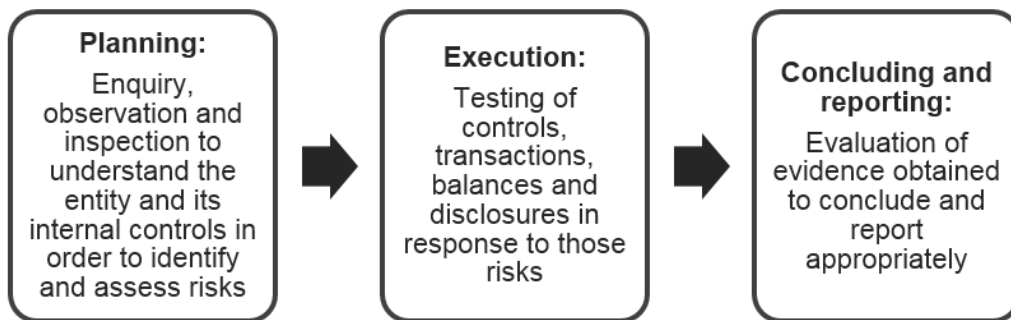
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the 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 the 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'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not The County Council of the City and County of Cardiff (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

My audit approach involves three key stages: planning, execution and finally concluding and reporting



- 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

This table summarises the key financial audit risks identified at the planning stage of the audit

Financial audit risk	Proposed audit response
<p>Financial Challenges and Management Override Risks</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 also increased where judgement or estimation is required.</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"> • reflect the Council’s financial position in planning the audit and will direct audit testing to the areas of greatest risk; • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business or those susceptible to management judgement.

Financial audit risk	Proposed audit response
<p>Financial Statement Production</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 Practice 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.</p> <p>We have been liaising with management as they implement methods to streamline the financial 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"> • investment property classification and valuation; and • asset identification and descriptors within the Fixed Asset Register of newly acquired assets. 	<p>My audit team will:</p> <ul style="list-style-type: none"> • provide support and advice to the Council wherever possible without compromising our independence; • review closedown plans to assess that arrangements are in place to produce robust, Code compliant financial statements within the prescribed timetable; • undertake audit procedures designed to ensure sensitive disclosures and presentation of data is in accordance with the Code; and • as part of our interim audit review the exercise undertaken by the Council in respect of the classification and valuation of investment properties .

Financial audit risk	Proposed audit response
<p>City Deal</p> <p>The City and County of Cardiff Council is one of 10 local authorities involved in the Cardiff Capital Region City Deal (the City Deal). City Deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs.</p> <p>The Cardiff Capital Region City Deal was ratified by all participating authorities on 1 March 2017 and includes funding of over £1.2 billion from the UK Government, the Welsh Government and the ten local authorities. The City and County of Cardiff Council will act as Accountable Body for the City Deal.</p> <p>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. During 2017-18, the Regional Cabinet has approved its first project, £37.9 million for CSC Foundry Ltd.</p> <p>As Accountable Body for the City Deal, we understand that the City and County of Cardiff Council will be responsible for preparing the Accounts of the Joint Committee which will be submitted separately to the Regional Cabinet for scrutiny and approval. However, this significant programme will have financial, governance and delivery risks that need to be managed by the Council. There will also be a number of accounting issues to address including the potential consolidation of joint committee accounts within the Council's financial statements.</p>	<p>We will liaise closely with external auditors of the other 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.</p> <p>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.

Statutory audit functions

- 14 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.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Other financial audit work

- 17 I am also responsible for the audit of:
- Cardiff Harbour Authority;
 - Cardiff Port Health Authority;
 - Glamorgan Archives Joint Committee; and
 - Prosiect Gwyrdd Joint Committee.
- 18 My audit fee for this work is set out in [Exhibit 6](#).
- 19 In addition, and as noted in [Exhibit 2](#) above, I also audit the Cardiff Capital Region City Deal Joint Committee. A separate Outline of Audit Work will be produced for the accounts of this joint committee and will be presented to the Regional Cabinet in the near future.

Performance audit

- 20 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities I will continue to seek to strike the most appropriate balance and add 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.
- 21 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will minimise work that focuses on the process of improvement planning.
- 22 In recent years I have placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future I will be unable to rely on my work under the Measure, in 2018-19, and subsequent years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 23 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 24 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 3** 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.
- 25 In the spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

Study	Status
2016-17 studies	
How local government manages demand	Published January 2018
Strategic commissioning	Publish in March 2018
Improving wellbeing through housing adaptations	Published in February 2018
2017-18 studies	
Services to rural communities	Fieldwork – Publish Summer/Autumn 2018
Use of data	Fieldwork – Publish Summer/Autumn 2018
Integrated care fund	Fieldwork February – Publish Autumn 2018

26 Taking all these factors into consideration, my 2018-19 programme of work will comprise:

Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

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 publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking steps to meet the following wellbeing objective: Cardiff has a high quality city environment where population growth and transport needs are managed sustainably
Assurance and Risk Assessment	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.

Performance audit programme	Brief description
Environmental Health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.
Leisure Services	Review of the arrangements the Council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.
Corporate Safeguarding Arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.
Delivering Capital Ambition	Ongoing review and monitoring of the Council's change programme.
2018-19 Local Government Studies	Funded by the Welsh Government
Implementation of the Social Services and Well-being Act	The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our call for evidence report published in August 2017.

Performance audit programme	Brief description
Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our call for evidence report published in August 2017.
Value for Money of Planning Services	The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our call for evidence report published in August 2017.

27 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 2](#).

Certification of grant claims and returns

- 28 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 3](#). Details there are provided on our expectation that the Welsh Government will streamline its assurance arrangements by rolling out the 'Summary Schedule of Certified Welsh Government Grants' to all unitary authorities. This follows successful piloting at four authorities last year, including this Council. This means that there should only be a small number of claims and returns which remain to be certified in the 'traditional' way.
- 29 For this year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 30 My audit fee for this work is set out in [Exhibit 6](#).

Overall issues identified

- 31 [Exhibit 5](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2016-17.

Exhibit 5: overall issues relating to grant claim and return certification

This table sets out common themes identified from my grant claim certification work carried out in 2016-17

Qualified grant claims and returns qualified in 2016-17

Due to the Council's inclusion in the pilot, the number of grant returns certified was much reduced from prior years. Of the five returns certified:

- one was qualified;
- two were reported subject to observation letters covering issues where the grant-paying body required comments to be raised; and
- the remaining two were not qualified or reported.

There are no common themes across the five audits conducted:

- the qualification of the 'Rhiwbina Flood Alleviation Scheme' claim related to a failure to evidence that the correct due processes had been followed in requesting additional funding and seeking approval of that funding, and also for reporting compensation payments to third parties; and
- the observations on the 'Housing Benefit Subsidy' return and the piloted 'Summary Schedule of Certified Welsh Government Grants' both related to specific reporting requirements set out in guidance from the grant-paying body – the grant returns were not qualified and the specific issues reported are likewise of lesser significance.

Effectiveness of grant co-ordination arrangements

As noted above, the volume of grant returns audited in 2016-17 was much reduced to previous years. None of the five returns were late and all but one were certified on schedule. The most complex audit arrangements related to the certification of the piloted 'Summary Schedule of Certified Welsh Government Grants' and this led to the certification being one week after the specified audit deadline. Appropriate feedback has been provided by the Council and by the audit team to assist with the full roll-out in 2017-18 across all 22 councils, and the difficulties arose due to the process needed to complete the audit and not in the Council's grant co-ordination arrangements.

Issues related to specific grant claims and returns

- 32 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 3](#).

Fee, audit team and timetable

Fee

- 33 Your estimated fee for 2018 is set out in [Exhibit 6](#). This figure represents a 1.25% decrease compared to the fee set out in the 2017 audit plan.
- 34 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a reduction in audit days. We only charge the costs actually incurred in completing our audit work. Therefore, as was the case in 2016-17, if the actual costs incurred in completing the audit work is less than the proposed fee, the Authority is only charged the lower amount.

Exhibit 6: audit fee

The total audit fee will be £471,097, made up of £273,664 for the audit of accounts, £108,801 for performance audit work, £65,000 for certification of grant claims and returns and £23,632 for other financial audit work.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	273,664	279,664
Performance audit work ³	108,801	108,801
Grant certification work ⁴	65,000	56,493
Other financial audit work ⁵		
Cardiff Harbour Authority	17,332	12,116
Cardiff Port Health Authority	2,100	1,800
Glamorgan Archives Joint Committee	2,100	1,800

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Prosiect Gwyrdd Joint Committee	2,100	2,100
Total audit fee	471,097	462,774

Notes:

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

² Payable November 2017 to October 2018.

³ Payable April 2018 to March 2019.

⁴ Payable as work is undertaken. There is due to be further changes to the grants programme for 2017-18, however, the effect of these changes on the likely fee is as yet unknown as we are awaiting further confirmation from Welsh Government on the grants that are required to be audited in 2017-18.

⁵ Payable on conclusion of audit work.

35 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 Cardiff Council.

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

Audit team

37 The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

Exhibit 7: my team

This table provides contact details for the audit team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director/ Engagement Lead – Financial Audit	02920 320500	Ann-Marie.Harkin@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320599	Huw.Rees@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645 / 07964 118615	Phil.Pugh@audit.wales
Jon Martin, Kathryn Watts	Financial Audit Team Leaders	02920 872258	Jon.Martin@audit.wales Kathryn.Watts@audit.wales
Sara-Jane Byrne	Performance Audit Manager	07786 111385	Sara-jane.byrne@audit.wales

Name	Role	Contact number	E-mail address
Samantha Clements	Performance Audit Lead	07837 825175	Samantha.clements@audit.wales

38 There are some potential conflicts of interest that I wish to bring to your attention. The Audit Manager is a former colleague and friend of the Council's Programme Manager within the Corporate Finance Directorate. In addition one member of the team's wife works within the Council's Housing Development & Enabling Department and another member of the team's close relatives work within the Council's Electoral Division. I can confirm that, with the exception of the above, all other members of my team are independent of the Council and your officers. I can also confirm that I have introduced appropriate arrangements to ensure that none of my officers referred to above undertake any audit work in respect of the area of the Council's operations where potential conflicts of interest could be perceived to exist.

Timetable

39 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 8](#).

Exhibit 8: timetable

This table sets out my proposed timetable for completion and reporting of my audit work at the Authority

Planned output	Work undertaken	Report finalised
2018 Audit Plan	January to February 2018	March 2018
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February to September 2018	September 2018 September 2018 October 2018
Performance work: <ul style="list-style-type: none"> Improvement Plan Audit Assessment of Performance Audit Assurance and Risk Assessment WFG Act Examinations Environmental Health Leisure 	May-June 2018 September – November 2018 April – November 2018 September 2018 - February 2019 July – November 2018 October 2018 – January 2019	June 2018 November 2018 December 2018 April 2019 January 2019 February 2019

Planned output	Work undertaken	Report finalised
<ul style="list-style-type: none"> Corporate Safeguarding Delivering Capital Ambition 	June – July 2018 April 2018 – March 2019 (Estimated)	September 2018 Ongoing throughout the year (Estimated)*
Annual Improvement Report	April 2018 – May 2019	June 2019
2019 Audit Plan	January – February 2019	March 2019

* Subject to timely clearance of draft findings with Cardiff Council.

Future developments to my audit work

- 40 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 41 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:
- **Sustainable Procurement.** Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
 - **Measuring Outcomes.** Supporting the WFG Act, 44 bodies shift their focus from outputs to outcomes and impact.
 - **Adverse Childhood Experiences.** In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
 - **Digital Seminar,** taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
 - **Building Resilient Communities.** Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
 - **Partnership working between Voluntary bodies and Public Sector Bodies.** Will also include the launch of the Good Practice Guide to Grants Management.
 - **Financial Audit – Early Closure of Local Government Accounts.** Focussing on cultural and behaviour changes.
 - **Alternative Service Delivery Models.** In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation, and Good Practice Wales.

- **Cybersecurity.** Focusing on governance arrangements.
- **Preventing Hospital Admissions.** Jointly with NHS, Social Care, Housing and partners from the Third Sector.
- **Youth.** Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

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 me, by examination of the accounts or otherwise, to satisfy myself 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. I 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.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

Appendix 2

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

Exhibit 9: performance work in last year's audit outline still in progress

Four pieces of performance audit work included in last year's audit plan remain outstanding.

Performance audit project	Status	Comment
Overview and Scrutiny – Fit for the Future?	Fieldwork complete	Draft report due to be issued March 2018.
Welsh Housing Quality Standard review	Ongoing	Fieldwork due to take place March 2018.
Service user perspective review	Ongoing	This work will focus on the Council's housing tenants and will supplement our review of the Welsh Housing Quality Standard.
Aligning the levers of change – digital transformation	Ongoing	Workshops with sample of operational managers and front line staff to take place mid-April.

Appendix 3

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

This table summarises my 2017-18 programme of grant claim certification work

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Non Domestic Rates Final Contribution	Ongoing – annual return certified for 2016-17	£189,468,199	No issues identified.
Housing Benefit Subsidy	Ongoing – annual return certified for 2016-17	£149,946,121	Unqualified – but we issued an Observation Letter to DWP which accompanied the claim as our testing identified an underpayment of benefit due to assessor error.
Summary Schedule of Certified Welsh Government Grants	Piloted 2016-17 in four local authorities including the Council	£42,771,847	Unqualified – but we issued an Observation Letter to the Welsh Government accompanied the claim, highlighting that the claimed 'Admin and Management costs' for the Flying Start grant included in the schedule exceeded the maximum specified by Welsh Government in the terms and conditions of grant by a minimum of £145,388.
Teacher's Pension Return	Ongoing – annual return certified for 2016-17	£29,935,042	No issues identified.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Rhiwbina Flood Alleviation Scheme	2014-2018 – final claim audited	£1,391,665	<p>Qualified due to the following significant matters which indicated that the claim may not be fairly stated and in accordance with Welsh Government terms and conditions:</p> <ul style="list-style-type: none"> • no evidence has been provided that variations to the Project Funding had been correctly approved by Welsh Government; and • a compensation payment to an affected landowner had not been correctly reported to Welsh Government.

Appendix 4

Other future developments

Forthcoming key IFRS changes

Exhibit 11: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the authority over the next three years.

Standard	Effective date	Further details
IFRS 9 Financial instruments	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 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.
IFRS 15 Revenue from contracts with customers	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.
IFRS 16 Leases	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 the 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.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (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.

Exhibit 12: Planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas

Date	Format	Topic
April 2018	Webinar	Sustainable Procurement. Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	Measuring Outcomes. Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact.
June 2018	Seminar	Adverse Childhood Experiences. In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	Digital. Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	Building Resilient Communities. Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	Partnership working between Voluntary bodies and Public Sector Bodies. Will also include the launch of the Good Practice Guide to Grants Management.
October 2018	Webinar	Financial Audit – Early Closure of Local Government Accounts. Focusing on cultural and behaviour changes.
December 2018	Seminar	Alternative Service Delivery Models. In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.
January 2019	Webinar	Cybersecurity. Focusing on governance arrangements.
February 2019	Seminar	Preventing Hospital Admissions. Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	Youth. Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

Appendix 5

National value-for-money studies

The Council may also be interested in the national value-for-money examinations that 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 13 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, follow-up work, or based on the findings of other reactive examinations.

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 13: national value-for-money studies

Topic	Anticipated publication (as at 11 January 2018)
Primary care services ¹	February/March 2018
Access to public services with the support of specialist interpretation and translation	March/April 2018
Waste management (waste prevention) Waste management (municipal recycling) Waste management (procurement of infrastructure)	March/May 2018
Early intervention and public behaviour change ²	March/April 2018
GP out-of-hours services – national summary report	April/May 2018
Rural Development Programme 2014-2020	April/May 2018
Business finance	May 2018

¹ An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

² Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

Topic	Anticipated publication (as at 11 January 2018)
NHS agency staffing costs ³	Summer 2018
EU Structural Funds programmes 2014-2020	Summer 2018
Improving the wellbeing of young people	Autumn 2018
Radiology services – national summary	To be confirmed
Integrated Care Fund	To be confirmed
Care experienced by children and young people ⁴	To be confirmed

³ Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

⁴ The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.

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