

## 2022 Audit Plan – Cardiff Council

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# 2022 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## My duties

- 2 I complete work each year to meet the following duties.

## Audit of financial statements

- 3 Each year I audit Cardiff Council's (the Council) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

## Sustainable development principle

- 5 The Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Impact of COVID-19

- 6 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 7 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

## Audit of financial statements

- 8 It is my responsibility to issue a certificate and report on the financial statements. This includes:
  - an opinion on the on the 'truth and fairness' of the Council's and the Group's financial statements for the financial year ended 31 March 2022; and
  - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 9 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
  - certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - auditing Cardiff and Vale of Glamorgan's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
  - the audit of the following:
    - Cardiff Harbour Authority;
    - Cardiff Port Health Authority;
    - Glamorgan Archives Joint Committee;
    - Prosiect Gwyrdd Joint Committee; and
  - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 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 Governance and Audit Committee and full Council prior to completion of the audit.

- 11 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 12 There have been no limitations imposed on me in planning the scope of this audit.
- 13 I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities, along with further information about my work.

## Audit of financial statements risks

- 14 The following table sets out the significant risks I have identified for the audit of the Council.

### Exhibit 1: financial statement audit risks

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

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Risk of Management Override</b></p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> <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 rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Contingent Liabilities</b></p> <p>As reported in previous years, the Council is in ongoing discussions with HMRC, with a view to resolving a purportedly under-declared landfill tax assessment from 1 April 2015. This is a specialised and technical matter. Our discussions with management during the year has confirmed that, currently, this</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• continue to meet with management to obtain updates on the status of the investigation;</li> <li>• review correspondence with HMRC and any key documents</li> </ul>

Audit risk	Proposed audit response
<p>matter remains on-going and the financial impact of any potential liability is unconfirmed. Due to the ongoing nature of this matter, there is a risk that the Council will need to account for additional liabilities which will need to be correctly disclosed in the financial statements.</p>	<p>arising from its investigation process; and</p> <ul style="list-style-type: none"> <li>ensure that any known or potential liabilities as at 31 March 2022, are appropriately accounted for and disclosed within the Council's financial statements</li> </ul>
<p><b>New Fixed Asset Register System</b></p> <p>The Council has introduced a new Fixed Asset Register System during the year which will be used for the production of all of the figures relating to Property, Plant &amp; Equipment in the 2021-22 financial statements.</p> <p>There is a risk that the fixed asset information has not been transferred correctly to the new system and that new system's functionality does not work in the manner intended.</p>	<p>Our I.T. Audit specialists will review the manner in which the migration of data from the old to the new system has been managed to ensure that the correct balances have been brought forward.</p> <p>We will also review the results of the information produced via the new system to ensure that this is in line with expectations.</p>
Other Audit Risks	
<p><b>Impact of COVID-19</b></p> <p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>

Audit risk	Proposed audit response
<p><b>Accounting for Welsh Government funding and grant income</b></p> <p>The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government. Payments have been made available through a number of different schemes over the course of 2021-22 and the amounts involved are material to the accounts.</p> <p>There is a risk that the Council has incorrectly accounted for this income.</p>	<p>We will review the funding streams received from Welsh Government and confirm the appropriate accounting treatment with the Council.</p>
<p><b>Asset valuations</b></p> <p>In light of the COVID restrictions that were in place throughout 2021-22 and uncertainties over market values for assets since the start of the pandemic, there is a risk that the carrying value of assets reported in the accounts may be materially different to the current value of assets as at 31 March 2022. In particular, this may be the case where assets have been valued on a rolling basis and not as at the financial year end.</p>	<p>We will review the Council's asset valuation programme to establish when individual groups of assets were valued and seek to confirm that valuations carried out earlier than as at 31 March 2022 are not materially different to the current value of assets as at the year end.</p>
<p><b>Related parties</b></p> <p>Disclosure of related party transactions are important as these transactions identify relationships that might materially prevent a body pursuing its separate interests or allow the body to prevent another party from pursuing its interests independently.</p> <p>We have identified related party transactions as material to the accounts as they can provide scope to distort</p>	<p>We will review the Council's processes and procedures for identifying and disclosing related party transactions in the accounts to ensure their accuracy and completeness.</p>



Audit risk	Proposed audit response
<p>financial information and/or obscure the substance of transactions.</p> <p>Last year's audit identified weaknesses in the Council's systems for identifying and recording related party transactions.</p>	

## Performance audit

- 15 In addition to my Audit of Financial Statements, I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out in paragraphs 4 and 5 in relation to value for money and sustainable development.
- 16 In response to the pandemic, I adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. This enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 17 For 2022-23, I intend to continue this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will continue to be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 18 Given the high degree of commonality in the risks facing councils I also intend to deliver a number of thematic projects examining risks common to all councils.
- 19 During 2020-21, I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015 from 2020-2025.
- 20 In March 2021, I wrote to the public bodies designated under the Act setting out my intentions, which include a). carrying out specific examinations of how public bodies have set their well-being objectives and b). integrating my sustainable development principle examinations of steps to meet well-being objectives with my national and local audit programmes.
- 21 My auditors are liaising with the Council to agree the most appropriate time to examine the setting of well-being objectives.
- 22 The examination of steps to meet well-being objectives will be conducted as part of work set out in this audit plan and successive audit plans, leading up to my statutory report under the Act in 2025.
- 23 For 2022-23 my performance audit work at the Council is set out below.

## Exhibit 2: Performance Audit Programme 2022-23

This table summarises the performance audit programme for 2022-23

Performance audit programme	Brief description
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle</p> <p>At Cardiff Council the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• financial position</li> <li>• capital programme management</li> <li>• use of performance information – with a focus on service user feedback and outcomes</li> <li>• setting of well-being objectives (depending on the Council's plans to do this)</li> </ul>
Thematic review - unscheduled care	<p>We intend to undertake a cross-sector review focusing on the flow of patients out of hospital. This review will consider how Cardiff Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>
Thematic review - digital	Exact scope to be determined
Local project	<p>Local tailoring of digital / service user perspective thematic. Scope to be discussed with the Council.</p>

- 24 In March 2022, I published a [consultation](#) inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considered topics that may be taken forward through our national value for money examinations and studies and/or through local audit work across multiple NHS, central government and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
  - a targeted and impactful approach to communicating and influencing.
- 25 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 26 We will provide updates on the performance audit programme through our regular updates to the Governance and Audit Committee.

## Certification of grant claims and returns

- 27 I have also been requested to undertake certification work on Cardiff Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension and NDR.

## Statutory audit functions

- 28 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.
- 29 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 30 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 31 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 32 As set out in our Fee Scheme 2022-23 our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 33 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 2.3% increase compared to your actual 2021 fee.

### Exhibit 3: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual / Expected fee last year (£)
Audit of accounts <sup>2</sup>	283,759	273,664
Performance audit work <sup>3</sup>	112,420	108,470
Grant certification work <sup>4</sup>	65,000	68,726
<b>Sub-total</b>	<b>461,179</b>	<b>450,863</b>
Other financial audit work <sup>5</sup>		
Cardiff Harbour Authority	14,050	13,650
Cardiff Port Health Authority	2,175	2,100
Glamorgan Archives Joint Committee	2,175	2,100
Prosiect Gwyrdd Joint Committee	2,175	2,100
Total fee	481,754	470,813

### Exhibit 4: analysis of main fee by grade

	Cost (£)	Days	% of total Days	Actual % of total Days last year
Engagement lead	23,961	21	2.5	2.2
Audit manager	71,736	84	9.8	9.4
Audit lead	122,500	175	20.6	14.3
Senior auditor	90,552	154	18.0	20.1
Auditor	57,540	137	16.0	18.6
Graduate trainee	74,970	210	24.6	24.8
Apprentice	19,920	73	8.5	10.7
<b>Total</b>	<b>461,179</b>	<b>855</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>2</sup> Payable November 2021 to October 2022.

<sup>3</sup> Payable April 2022 to March 2023.

<sup>4</sup> Payable as work is undertaken.

<sup>5</sup> Payable November 21 to October 2022.

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.

34 Further information can be found in my [Fee Scheme 2022-23](#).

## Audit team

35 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

### Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	07909 882609	<a href="mailto:Derwyn.Owen@audit.wales">Derwyn.Owen@audit.wales</a>
Phil Pugh	Audit Manager (Financial Audit)	07964 118615	<a href="mailto:Phil.Pugh@audit.wales">Phil.Pugh@audit.wales</a>
Steve Stark	Audit Lead (Financial Audit)	07590 586895	<a href="mailto:Steve.stark@audit.wales">Steve.stark@audit.wales</a>
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786 111385	<a href="mailto:Sara-Jane.Byrne@audit.wales">Sara-Jane.Byrne@audit.wales</a>
Samantha Clements	Audit Lead (Performance Audit)	07837 825175	<a href="mailto:Samantha.Clements@audit.wales">Samantha.Clements@audit.wales</a>

36 There is one potential conflict of interest that I wish to bring to your attention. The Audit Manager (Financial Audit) is a former colleague and friend of the Council's Operational Manager for Information Governance, Transactional Finance and Programme Management within the Resources Directorate. I can confirm that, with the exception of the above, all other members of my team are independent of the Council and its senior officers. I can also confirm that I have introduced appropriate arrangements to ensure that my officer referred to above does not 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

- 37 The key milestones for the work set out in this plan are shown in **Exhibit 6**.
- 38 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act.

### Exhibit 6: Audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	February to May 2022	July 2022
<b>Audit of Financial statements 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>	June to September 2022 October 2022	30 October 2022 30 October 2022 31 December 2022
<b>Performance audit work:</b> <ul style="list-style-type: none"> <li>• Assurance and Risk Assessment project</li> <li>• Thematic Review – unscheduled care</li> <li>• Thematic Review - digital</li> <li>• Local projects – extended digital thematic work</li> </ul>	Timescales for individual projects will be discussed with the Council and detailed within the specific project briefings produced for each piece of work.	

Planned output	Work undertaken	Report finalised
<b>Grants certification work</b> <ul style="list-style-type: none"> <li>• Housing Benefit</li> <li>• Non-Domestic rates</li> <li>• Social Care Wales Workforce Development Plans</li> <li>• Teachers' Pensions</li> </ul>	November 2022 to January 2023	February 2023
<b>Annual Audit Summary</b>	N/A	December 2022 [subject to completion of accounts audits]







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