

# Cardiff Council – Detailed Audit Plan 2023

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# About Audit Wales

## Our aims and ambitions

### Assure



the people of Wales that public money is well managed

### Explain



how public money is being used to meet people's needs

### Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

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# Introduction

I have now largely completed my planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



**Adrian Crompton**

Auditor General for  
Wales

## My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Council's financial statements to make sure that public money is being properly accounted for.
- 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.
- 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.

## Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.

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 & Vale of Glamorgan's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
- the audit of Cardiff Harbour Authority's financial statements and Cardiff Port Health Authority, Glamorgan Archives and Prosiect Gwyrdd joint committees; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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 is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.

## Performance audit work

I carry out a programme of performance audit work to discharge my duties<sup>1</sup> as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

<sup>1</sup> When we undertake audit work under our statutory powers and duties we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

# Financial statements materiality



## **My financial statements audit will concentrate on your risks and other areas of focus**

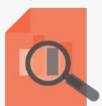
My audit planning has identified the following risks:

### **Significant financial statement risk**

- Management override of controls

### **Other areas of audit focus**

- Property, Plant and Equipment – valuation of land, buildings and council dwellings.
- Contingent Liabilities
- Related Parties



## **My performance audit will include:**

- Assurance and Risk Assessment
- Thematic review – commissioning and contract management
- Thematic review – financial sustainability in local government
- Local work – Highways/Transport



## **Group**

We will also perform an audit of the Council Group (incorporating the audit of Cardiff Transport Services Ltd)





## Materiality

### Council and Group

Materiality (Council)	£15.1m
Materiality (Group)	£15.4m

Reporting threshold (Council and Group)	£0.8m
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Materiality is calculated using:

- 2022-23 draft accounts gross expenditure of £1,506.2 million (Council) and £1,535.8 million (Group)
- Materiality percentage of 1%

### Cardiff Harbour Authority

Materiality	£3.2m
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Reporting threshold	£0.2m
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Materiality is calculated using:

- 2022-23 draft accounts gross assets of £160.8 million
- Materiality percentage of 2%

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Remuneration report £1,000
- Related party disclosures £10,000 (for disclosures relating to individual members)
- Exit Packages and number of officers earning over £60,000 (relating to senior officers – correct banding)
- Remuneration ratio

# Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

## Exhibit 1: significant financial statement risks

Significant risk	Our planned response
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 240.32-33].	The audit team will: <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 bias; and</li><li>• evaluate the rationale for any significant transactions outside the normal course of business.</li></ul>

# Other Areas of Focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

## Exhibit 2: other areas of focus

Audit risk	Our planned response
<p><b>Property, Plant and Equipment – valuation of land, buildings &amp; council dwellings</b></p> <p>The Council’s last valuation of its land, building and council dwelling was as at 1 April 2022. There is a risk that due to inflationary pressures and changes in other market conditions, the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023.</p>	<p>My audit team will review the results of the work performed by the Council to gain assurance that any valuation updates are reasonable and are in line with expectation and professional guidance.</p>
<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 matter remains ongoing 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>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, the Council’s management expert and any other key documents arising from the investigation; and</li> <li>• ensure any known or potential liabilities as at 31 March 2023, are appropriately accounted for and disclosed within the Council’s financial statements.</li> </ul>
<p><b>Related Party Disclosures</b></p> <p>Over a number of years our audits have identified a number of material omissions of related party disclosures by members.</p>	<p>My audit team will review these disclosures in detail to ensure that they are reasonable, complete and in line with CIPFA Code requirements.</p>

# Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

## Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	May 2023	June 2023
2023 Detailed Audit Plan	July to October 2023	November 2023
Audit of financial statements work: <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on the Financial Statements</li></ul>	November 2023 – January 2024	January 2024

# Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

## Exhibit 4: key dates for delivery of planned outputs

Planned output	Work undertaken	Timetable
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 and acting in accordance with the sustainable development principle.	Ongoing
Thematic review – Financial Sustainability	A review of councils' financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.	March-June 2024
Thematic review – commissioning and contract management	A review focusing on how councils' arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.	January – July 2024
Local work – Transport/Highways	Not yet scoped	To be confirmed

We will provide updates on the performance audit programme through our regular updates to Governance and Audit Committee.

# Certification of grant claims and returns, and statutory audit functions

## Certification of grant claims and returns

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 Non Domestic Rates.

## Statutory audit functions

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.

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 and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £534,521.

## Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the actual/expected audit fee for last year.

Audit area	Proposed fee (£) <sup>2</sup>	Actual/expected fee last year (£)
Audit of accounts <sup>3</sup>	326,242	283,759
Performance audit work <sup>4</sup>	117,586	112,420 <sup>5</sup>
Grant certification work <sup>6</sup>	68,120	69,787
<b>Sub-total</b>	<b>511,948</b>	<b>461,179</b>
Other financial audit work:		
Cardiff Harbour Authority	16,030	14,017
Cardiff Port Health Authority	2,181	946
Glamorgan Archives Joint Committee	2,181	1,610
Prosiect Gwyrdd Joint Committee	2,181	1,190
<b>Total fee</b>	<b>534,521</b>	<b>483,729</b>

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.

<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>3</sup> Payable November 2022 to October 2023.

<sup>4</sup> Payable April 2023 to March 2024.

<sup>5</sup> This is an estimated fee as work is ongoing.

<sup>6</sup> Payable as work is undertaken.



**Our financial audit fee is based on the following assumptions:**

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

**Exhibit 6: my local audit team**

Name	Role	E-mail address
Richard Harries	Engagement Director/Audit Director (Financial Audit)	<a href="mailto:richard.harries@audit.wales">richard.harries@audit.wales</a>
Gary Emery	Engagement Director/Audit Director (Performance Audit)	<a href="mailto:gary.emery@audit.wales">gary.emery@audit.wales</a>
Julie Rees	Audit Manager (Financial Audit)	<a href="mailto:julie.rees@audit.wales">julie.rees@audit.wales</a>
Sara-Jane Byrne	Audit Manager (Performance Audit)	<a href="mailto:sara-jane.byrne@audit.wales">sara-jane.byrne@audit.wales</a>
Steve Stark	Audit Lead (Financial Audit)	<a href="mailto:steve.stark@audit.wales">steve.stark@audit.wales</a>
Samantha Clements	Audit Lead (Performance Audit)	<a href="mailto:samantha.clements@audit.wales">samantha.clements@audit.wales</a>

I can confirm that my team members are independent of the Council and your officers.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Appendix 1

## The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
<b>More detailed and extensive risk identification and assessment procedures</b>	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none"><li>• information on your organisation's business model and how it integrates the use of information technology (IT);</li><li>• information about your organisation's risk assessment process and how your organisation monitors the system of internal control;</li><li>• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and</li><li>• more detailed discussions with your organisation to support the audit team's assessment of inherent risk.</li></ul>
<b>Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT</b>	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none"><li>• IT applications relevant to financial reporting;</li><li>• the supporting IT infrastructure (e.g. the network, databases);</li><li>• IT processes (e.g. managing program changes, IT operations); and</li><li>• the IT personnel involved in the IT processes.</li></ul> <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on your organisation
<p><b>Enhanced requirements relating to exercising professional scepticism</b></p>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p><b>Risk assessments are scalable depending on the nature and complexity of the audited body</b></p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p><b>Audit teams may make greater use of technology in the performance of their audit</b></p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>



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Audit Wales

1 Capital Quarter

Tyndall Street

Cardiff CF10 4BZ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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