

## 2020 Audit Plan – Cardiff Capital Region City Deal Joint Committee

Audit year: 2019-20

Date issued: May 2020

Document reference: 1863A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

No responsibility is taken by the Auditor General, the staff of Audit Wales or, where applicable, the auditor acting on behalf of the Auditor General, in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Audit Wales and, where applicable, the auditor acting on behalf of the Auditor General are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

2020 Audit Plan	
Our duties	4
Impact of COVID-19	4
Audit of financial statements	5
Performance audit	6
Fee, audit team and timetable	7
Accounts and Audit (Wales) Regulations 2014	9
Appendix A – Requirements of the Accounts and Audit (Wales) Regulations 2014	11
Appendix B - Accounts and Audit (Wales) Regulations 2014 – suggested notice	12

# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

## Audit of financial statements

- 2 Each year we audit the Cardiff Capital Regional City Deal Joint Cabinet's (the Joint Cabinet) financial statements and the consolidation of the Joint Cabinet's subsidiary in the Group financial statements to make sure that public money is being properly accounted for.

## Value for money

- 3 The Joint Cabinet has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

## Impact of COVID-19

- 4 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 5 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 6 In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 7 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with Cardiff Capital Region City Deal (CCRCD) management once the current national emergency situation is over and CCRCD is in a position to prepare its accounts.
- 8 We commit to ensuring that our audit work will not have a detrimental impact on the Joint Cabinet at a time when public bodies are stretched and focused on more important matters.

## Audit of financial statements

- 9 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’:
- we plan to give an opinion on the City Deal Joint Cabinet’s and the Group’s financial statements in accordance with a timetable to be agreed.
  - assess whether the CCRCD Joint Cabinet’s Annual Governance Statement has been prepared in line with the CIPFA Code and relevant guidance. We also review whether the Annual Governance and accompanying Narrative Report are consistent with the financial statements prepared by the by the Joint Cabinet with our knowledge of CCRCD.
- 10 In addition to our responsibilities for auditing CCRCD Joint Cabinet’s financial statements, we also have responsibility for responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- 11 There have been no limitations imposed on me in planning the scope of this audit.
- 12 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 13 The following table sets out the significant risks I have identified for the audit of the City Deal.

### 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>My audit team 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> </ul>

Audit risk	Proposed audit response
	<ul style="list-style-type: none"> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Declarations of Interest and Related Party Disclosures</b></p> <p>Our 2018-19 audit identified an issue in respect of the Registration of Members' Interests within one authority and the processes and procedures in place to notify the City Deal Director and Monitoring Officer of those interests. My team's discussions with management during 2019-20 confirmed that these processes have been reviewed, with training and guidance provided, and that the Related Party disclosures will be based on a full review of all declarations made.</p>	<p>My audit team will review the:</p> <ul style="list-style-type: none"> <li>• revised processes and procedures implemented during the year which capture the information contained within the Related Party disclosures in the draft financial statements; and</li> <li>• accuracy and completeness of Related Party disclosures within the draft financial statements.</li> </ul>
<p><b>Impact of COVID-19</b></p> <p>The COVID-19 national emergency is likely to result in a significant delay in the preparation 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>

## Performance audit

- 14 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on page 4 in relation to value for money. For 2020-21, this work will focus on the Cardiff Capital Region Investment Framework. We envisage the work will include following a live investment through the investment framework process, but we will discuss the scope with the Director of the City Deal.

- 15 On 18 March 2020, the Auditor General wrote to local authorities explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. The COVID-19 outbreak will also have an impact on the delivery of our performance audit work relevant to the CCRC. We will make as much progress as possible with our work by working remotely, if appropriate. We are keeping this under ongoing review and will communicate further information regarding our performance audit work (including the timings and the likely outputs) when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the sector.

## Fee, audit team and timetable

- 16 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 following the end of the COVID-19 national emergency, 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.
- 17 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 18 Your estimated fee for 2020 is set out in **Exhibit 2**. There have been some small changes to my fees rates for 2019, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you.

## Exhibit 2: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	18,118	21,510
Performance audit work <sup>3</sup>	14,819	14,791*
<b>Total fee</b>	<b>32,937</b>	<b>36,301</b>

\* This is the estimated figure set out in our 2019 Audit Plan. Due to the COVID-19 outbreak we have not yet completed our 2019-20 performance audit work, so are unable to provide an actual fee at this stage.

- 19 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 City Deal Joint Committee.
- 20 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 21 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

### Exhibit 3: my audit team

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

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director / Engagement Lead – Financial Audit	02920 320562	<a href="mailto:ann-marie.harkin@audit.wales">ann-marie.harkin@audit.wales</a>
Huw Rees	Engagement Lead – Performance Audit	02920 320599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>

<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 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021

Name	Role	Contact number	E-mail address
Phil Pugh	Audit Manager (Financial Audit)	07964 118615	<a href="mailto:phil.pugh@audit.wales">phil.pugh@audit.wales</a>
Jon Martin	Audit Lead (Financial Audit)	02920 320692	<a href="mailto:jon.martin@audit.wales">jon.martin@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>
Ian Phillips	Audit Lead (Performance Audit)	07811 757163	<a href="mailto:ian.phillips@audit.wales">ian.phillips@audit.wales</a>

## Timetable

- 22 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 23 We will need to discuss any amendments to the timetable for the production and audit of accounts with you but will continue to work as flexibly as we can and are supportive of 'extending' the accounts window where required. It will be vital that this close engagement continues over the next few months, against what will doubtless be a fast-changing backdrop.
- 24 Therefore, we will report on a timetable for our audit work in due course.

## Accounts and Audit (Wales) Regulations 2014

- 25 In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.
- 26 The Regulations require the publication of a notice where authorities do not expect to achieve the dates specified by the Regulations. I have included further detail in **Appendix A** and example notices in **Appendix B** that the Joint Cabinet may wish to consider using.

- 27 The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply, eg public access to the authority's accounting records.
- 28 Therefore, my audit team will discuss with management an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.
- 29 The audit team will issue an audit notice in due course setting out the appointed date.
- 30 This may mean that there is a delay before we can issue our audit opinion.

# Appendix A

## Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

‘Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].’

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in **Appendix B**.

# Appendix B

## Accounts and Audit (Wales) Regulations 2014 – suggested notice

### **Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared**

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of [name of body] sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by [31 May 2020/15 June 2020].

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

### **Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts**

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of [name of body] sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by [31 May 2020/15 June 2020].

[The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, [name of body] approve and publish the audited statement of accounts. The Regulations required that this be completed by [31 July 2020/15 September 2020].

[Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.]

OR

[Due to the COVID-19 outbreak, [name of body] has not met to approve the statement of accounts.]

OR

[Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.]



Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

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)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.