

2021 Audit Plan – Cardiff Capital Region City Deal Joint Committee

Audit year: 2020-21

Date issued: June 2021

Document reference: 2424A2021-22

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This document is also available in Welsh.

Contents

2021 Audit Plan	
About this document	4
My duties	4
Impact of COVID-19	4
Audit of financial statements	5
Performance audit	9
Statutory audit functions	9
Fee, audit team and timetable	9

2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 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 the Cardiff Capital Region 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

- 4 The Joint Cabinet 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.

Impact of COVID-19

- 5 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 6 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may 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 my statutory responsibilities as the Auditor General, my 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.
- 7 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public

bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

- 8 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the Programme office as the 2021 position becomes clearer.

Audit of financial statements

- 9 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 Joint Cabinet's and the Group's financial statements financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Joint Cabinet'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 Joint Cabinet.
- 10 In addition to my responsibilities for auditing the Council's financial statements, I 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 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 Joint Cabinet prior to completion of the audit.
- 12 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.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 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

- 15 The following table sets out the significant risks I have identified for the audit of the Cardiff Capital Region 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
Significant risks	
<p>Management Override</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"> • 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.
<p>Project Developments</p> <p>During the 2020-21 financial year, a wide range of different types of projects have been approved by the Joint Cabinet or have commenced.</p> <p>Many of these projects involve material levels of expenditure but the varying nature of the projects means that the manner in which they are accounted for is often likely to be significantly different. Consequently, there is a risk that the projects are not accounted for or disclosed correctly in the financial statements.</p> <p>The significant project expenditure includes:</p> <ul style="list-style-type: none"> • purchase of a minority equity interest in a company; • loans to companies, • capital expenditure on transport projects; and • funding approved to finance future projects, eg Challenge Fund and Housing Viability Fund. 	<p>We will review the nature of the projects and ensure that they have been appropriately disclosed and accounted for in the 2020-21 draft financial statements.</p>

Audit risk	Proposed audit response
<p>Impact of COVID-19</p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working 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>
Other audit risks	
<p>In 2019-20, a number of issues arose on the audit of CSC Foundry Ltd which impacted on the audit of the consolidated CCR Group Accounts. Consequently, the completion of our audit of the consolidated financial statements was delayed.</p> <p>Our Audit of Financial Statements Report also recommended that the Accountable Body considered what governance and oversight arrangements of CSC Foundry Ltd needed to be in place, to assure the Joint Cabinet that the administrative, accounting and other financial matters of its subsidiary undertaking were appropriate.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the revised governance and oversight arrangements established to confirm that these are appropriate to identify and resolve any issues of concern; and • liaise with CSC Foundry Ltd's auditors to identify any potential issues arising from their audit work that could materially impact on the CCR Group financial statements.

Other matters

- 16 There is one further matter on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 2: Other matters

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

Other matters	
<p>The Local Government and Elections (Wales) Act 2021 is now in place. The Act provides for the establishment (by regulations) of corporate joint committees (CJCs). Four CJCs have been established under the regulations, each with their own establishment regulations. For South East Wales, it is the South East Wales Corporate Joint Committee Regulations 2021 which states that the first financial year for the CJC is the 12 months ending 31 March 2022. It also says that the CJCs must agree their budget requirements for that year at meetings before 21 January 2022. The main functions of the CJCs - economic development, transport policy and strategic planning - commence for South East Wales on 28 February 2022. These functions are to be exercised by the CJCs rather than the constituent councils. Unlike existing joint committees, CJCs are corporate bodies able to own assets and employ staff. From 2021-22, CJCs are to be audited under Part 2 of the Public Audit (Wales) Act 2004 - an amendment order took effect from 1 April 2021. Therefore, as well as needing to prepare accounts for audit like other local government bodies, the audit also requires a proper arrangements assessment. The Director of the CCR City Deal has shared with us the roadmap for transition to the CJC.</p>	<p>My team will undertake an early review of the preparations the Joint Cabinet is undertaking with regard to the accounting arrangements and transition of services to the CJC. The transition to CJC will also form the main focus of our performance audit programme.</p>

Performance audit

- 17 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 on **page 4** in relation to value for money. For 2021-22, this work will focus on the introduction of the Corporate Joint Committee and the related new governance arrangements. We envisage this being an ongoing piece of work as the arrangements evolve. We will discuss the exact scope of the work with the Director of the CCR City Deal. We will update the Director of the CCR City Deal if we anticipate needing to undertake other work.

Statutory audit functions

- 18 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.
- 19 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

- 20 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 facilities / information 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;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
 - appropriate governance and oversight arrangements are in place over the wholly owned subsidiary of the City Deal, CSC Foundry Ltd, and can provide

all the assurances to me that the administrative, accounting and other financial matters of this subsidiary undertaking are appropriate.

21 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

22 Your estimated fee for 2021 is set out in **Exhibit 3**.

Exhibit 3: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	24,500	24,500
Performance audit work ³	20,748	14,819
Total fee	45, 248	39,319

23 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 Director of the CCR City Deal. I have increased our performance audit fee for 2021 as a result of the introduction of the CJC and the likely changes to governance arrangements during 2021. This is an estimated fee. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates.

24 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

25 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

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

² Payable November 2020 to October 2021.

³ Payable April 2021 to March 2022.

Exhibit 4: 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	02920 320651	derwyn.owen@audit.wales
Phil Pugh	Audit Manager (Financial Audit)	07964 118615	phil.pugh@audit.wales
Jon Martin	Audit Lead (Financial Audit)	02920 320692	jon.martin@audit.wales
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786 111385	sara-jane.byrne@audit.wales
Ian Phillips	Audit Lead (Performance Audit)	07811 757163	ian.phillips@audit.wales

Timetable

- 26 The key milestones for the work set out in this plan are shown in **Exhibit 5**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 27 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. The current COVID restrictions may impose restrictions on the Authority's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May / early June 2021.

Exhibit 5: audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	February to April 2021	May 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	June to September 2021	September 2021 September 2021
Performance audit work: <ul style="list-style-type: none"> • Transition to CJC 	Throughout the year.	
2022 Audit Plan	December to March 2022	March 2022

- 28 There is one potential conflict of interest that I wish to bring to your attention. This relates to the Audit Manager of my financial audit team whose wife previously worked with, and remains a friend of the Leader of RCT Council’s mother. However, in my opinion as the work of the Audit Manager does not require any direct contact with this Joint Cabinet member outside of Joint Cabinet meetings, I do not believe that this impacts on our objectivity and independence.
- 29 With the exception of this, I can confirm that all other members of my team are independent of the Joint Cabinet and Accountable Body.



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