

## 2022 Audit Plan – Cardiff Capital Region City Deal Joint Committee

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This document is also available in Welsh.

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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 the Cardiff Capital Region City Deal Joint Committee's (Joint Committee) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 4 The Joint Committee 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 has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 6 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

- 7 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 Committee's financial statements for the financial year ended 31 March 2022; and
  - an assessment as to whether the Joint Committee'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 Committee.
- 8 In addition to my responsibilities for auditing the Joint Committee's financial statements, I also have responsibility for responding to questions and objections about the accounts from local electors.

- 9 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 Committee prior to completion of the audit.
- 10 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.
- 11 There have been no limitations imposed on me in planning the scope of this audit.
- 12 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 statement risks

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

### 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>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>

Audit risk	Proposed audit response
<p><b>Project Developments</b></p> <p>A wide range of projects have been approved by the Joint Committee or commenced during the year.</p> <p>Many of the projects involve material levels of expenditure but the varying nature of the projects continues to mean that the way they are accounted for is likely to be significantly different and often complex. Consequently, there is a risk that the projects are not properly accounted for in the financial statements. Significant new project expenditure approved during 2021-22 includes:</p> <ul style="list-style-type: none"> <li>• challenge Fund payments of £400,000;</li> <li>• deposit of £800,000 paid for the acquisition of the former Aberthaw Power Station site (with a total project cost of approximately £36.4 million);</li> <li>• purchase of Electric Taxis and the provision of electric charging stations at over thirty different sites;</li> <li>• approval of a £3 million Media Cymru Grant;</li> <li>• establishment of £50 million Strategic Sites and Premises Fund; and</li> <li>• establishment of £30 million Housing Viability Gap fund etc. etc.</li> </ul>	<p>We will review the nature of the projects, the proposed accounting treatment and disclosures within the draft financial statements to ensure that these are appropriate.</p>
<p><b>Other Audit Risks</b></p>	
<p><b>Senior Staff Appointments</b></p> <p>A number of new senior staff posts have been established and appointments made to these posts during the year. There is a risk that these appointments have not been appropriately disclosed in the remuneration note disclosures.</p>	<p>We will review the Remuneration Report note to ensure that it has been properly prepared and that the senior officer disclosures are accurate and complete.</p>

Audit risk	Proposed audit response
<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 financial information and/or obscure the substance of transactions.</p> <p>We have previously identified weaknesses in its systems identifying and recording related party transactions.</p>	<p>We will review the processes in place for identifying and disclosing Related Party transactions.</p>

## Performance audit

- 14 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 paragraph 4 in relation to value for money. My performance audit work is set out in **Exhibit 2** below.

### Exhibit 2: this table summarises the performance audit work

Performance audit work	Brief description
<p>Assurance and Risk Assessment</p>	<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 Joint Committee putting in place proper arrangements to secure value for money in the use of resources.</p> <p>This year the project will focus on the CCR's investment programme. We will discuss the scope and methodology of this work with the</p>

Performance audit work	Brief description
	<p>Director of the CCR City Deal, but envisage this will look at a sample of investments covering an investment which has been agreed in the past year, one which has been refused and one which is underway to enable me to review the monitoring arrangements. My work will also enable me to gain an understanding of the level and nature of the Joint Committee's investment programme.</p> <p>If I determine I need to do further work to discharge my duties, my team will discuss the area of work with the Director of Cardiff Capital Region City Deal.</p>

- 15 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. I intend to continue this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly.
- 16 I will communicate separately on our approach to our audit of the South East Wales Corporate Joint Committee.

## Statutory audit functions

- 17 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.
- 18 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

- 19 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;
  - 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 CCRCD, CSC Foundry Ltd, and can provide all assurances to me that the administrative, accounting and other financial matters of this subsidiary undertaking are appropriate.
- 20 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 21 As set out in our Fee Scheme 2022-23 our fee rates for 2022-23 have increased by 3.7% (in cash terms) as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 22 The estimated fee for 2022 is set out in **Exhibit 3**. The proposed increase is a result of the increasingly complex accounting arrangements due to the varied nature of the Joint Committee's investment decisions.

### 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 fee last year (£)
Audit of accounts <sup>2</sup>	29,043	24,500
Performance audit work <sup>3</sup>	21,515	20,748
Total fee	50,558	45,248

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, Cardiff Capital Region City Deal.

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

### Audit team

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

#### 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	<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>

<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.

Name	Role	Contact number	E-mail address
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>

- 25 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 member outside Joint Committee meetings, I do not believe that this impacts on our objectivity and independence.
- 26 With the exception of this, I can confirm that team members are all independent of you and your officers.

## Timetable

- 27 The key milestones for the work set out in this plan are shown in **Exhibit 5**.
- 28 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 5: audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	March to May 2022	June 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></ul>	July to October 2022	October 2022
<b>Performance audit work:</b> <ul style="list-style-type: none"><li>• Review of investment programme arrangements</li></ul>	June-August 2022	September 2022





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We welcome correspondence and telephone calls in Welsh and English.  
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