Cardiff Capital Region City Deal – Audit Plan 2023

Audit year: 2022-23

Date issued: January 2024

Document reference: 398AA2024

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our Statement of Responsibilities.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor 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 Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at 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.

Introduction	5
Your audit at a glance	7
Financial statements materiality	8
Significant financial statements risks	9
Other areas of focus	11
Financial statements audit timetable	12
Statutory audit functions	13
Fee and audit team	14
Audit quality	16
Appendices	
Appendix 1 – key ISA315 changes and impact	17

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

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 Joint Committee.

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 (additional fees will be charged for this work, if necessary).

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 performance audit work to discharge my duties[1] as Auditor General in relation to value for money.

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.

[1] 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.

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 over-ride
- Valuation of financial instruments

Other areas of audit focus

- New project developments
- Group accounting
- Accounts preparation

My performance audit will include:

- Watching brief as the Cardiff Capital Region City Deal transitions to the South East Wales Corporate Joint Committee.

Group

We will also perform an audit of the Joint Committee Group (incorporating the audit of Compound Semi-Conductor Foundry Ltd and CCR Energy Ltd).

Materiality £1.63 million

Joint Committee and Group

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

Materiality (Joint Committee) = £1.21 million
Materiality (Group) = £1.64 million

Materiality is calculated using:

- 2022-23 gross assets of £121 million (Joint Committee) and £163 million (Group)
- Materiality percentage of 1%

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:

- Senior officers remuneration £1,000
- Related party disclosures £10,000

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
Management Override 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: • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for bias; and • evaluate the rationale for any significant transactions outside the normal course of business.
Valuation of Financial Instruments The Joint Committee holds significant sums in financial instruments in the form of loans and equities. Given the specialist nature of valuing such financial instruments, a management expert is commissioned by the Joint Committee to provide a value on these assets. Given the material nature of these assets and the inherent complex nature of valuing them, this represents a significant audit risk.	We will • evaluate the competence, expertise and objectivity of the management expert carrying out the financial instrument valuations; • review the work of the management expert responsible for providing the financial instrument valuations; • consider management's review of the valuations provided, to confirm they have robustly considered and challenged the basis of any assumptions and methods employed by the management expert; • review the Financial Instrument accounting policy and accounting entries to ensure they correctly reflect the expert advice given and are in accordance with the CIPFA code.

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
New project developments A wide range of projects have been approved by the Joint Committee or commenced during the year. 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. There is a risk that the projects are not properly accounted for in the financial statements.	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.
Group accounting CCR Energy Ltd is being consolidated into the Financial Statements for the first time this year. The consolidation process will involve converting their accounts to CIPFA Code. The Innovation Investment Fund was established in 2022 and has been structured as a Limited Partnership. This is also being consolidated into the accounts for the first time.	We will review the conversion of the company accounts to CIPFA Code compliant basis. We will review the adjustments made to consolidate the Company and the Limited Partnership into the CCRCD financial statements.
Accounts preparation We have identified the following risks associated with the accounts preparation process which together heighten the risk of error: - the accounts production is heavily reliant on excel spreadsheets. We have reported material errors in the past that have arisen from errors in linked spreadsheets; and - the accounts closedown process is not formally documented into	We will consider the quality assurance arrangements and review management's consideration of the expert advice sought to support the preparation of the accounts.

procedural steps and there is no written closedown plan. - The process is heavily reliant on one individual with limited opportunity for separation of duty or peer review.		

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 Audit Plan	October – November 2023	January 2024
Audit of financial statements work: • Audit of Financial Statements Report • Opinion on the Financial Statements	November – January 2024	March 2024

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.

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 £69,223.

Exhibit 5: audit fee

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

Audit area	Proposed fee (£)[2]	Estimated/Actual fee last year (£)
Audit of accounts[3]	48,657	42,043
Performance audit work[4]	20,566	9,290
Total fee	69,223	51,333

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 Joint Committee.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets 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**.

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

[3] Payable November 2022 to October 2023.

[4] Payable April 2023 to March 2024.

Exhibit 6: my local audit team

Name	Role	E-mail address
Richard Harries	Engagement Director/Audit Director (Financial Audit)	richard.harries@audit.wales
Gary Emery	Engagement Director/Audit Director (Performance Audit)	gary.emery@audit.wales
Julie Rees	Audit Manager (Financial Audit)	julie.rees@audit.wales
Colin Davies	Audit Manager (Performance Audit)	Colin.davies@audit.wales
Jon Martin	Audit Lead (Financial Audit)	Jon.martin@audit.wales
Ian Phillips	Audit Lead (Performance Audit)	ian.phillips@audit.wales

I can confirm that my team members are all independent of the Joint Committee and your officers.

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.

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

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	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: • information on your organisation's business model and how it integrates the use of information technology (IT); • information about your organisation's risk assessment process and how your organisation monitors the system of internal control; • 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 • more detailed discussions with your organisation to support the audit team's assessment of inherent risk.
Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT	Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on: • IT applications relevant to financial reporting; • the supporting IT infrastructure (e.g. the network, databases); • IT processes (e.g. managing program changes, IT operations); and • the IT personnel involved in the IT processes. 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. 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.

Key change	Potential impact on your organisation
Enhanced requirements relating to exercising professional scepticism	Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.
Risk assessments are scalable depending on the nature and complexity of the audited body	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.
Audit teams may make greater use of technology in the performance of their audit	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.

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

Website: www.audit.wales

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