



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2020 Audit Plan – Powys County Council

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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 Powys County Council's (the Council) financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Council 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.

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Audit of financial statements

- 6 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 Council's financial statements by 15 September 2020.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we 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 the Council's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund) by 15 September 2020; and

- the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 10 The following table sets out the significant risks I have identified for the audit of the Council.

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>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>New financial system</p> <p>The Council has implemented a new financial system from 1 April 2019 from which the financial statements will be produced. As part of this implementation the Council had introduced a new chart of accounts and coding structure. In addition, the Council has changed the way it reports its financial information internally and to Cabinet following changes to its senior management structure.</p> <p>As the Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding (EFA) statement are required to be prepared in line with the internal reporting structure, the prior year's CIES and EFA will need to be restated.</p>	<p>My audit team will ensure that:</p> <ul style="list-style-type: none"> • all balances from the previous financial ledger have been transferred accurately to the new system; • the new chart of accounts and coding structure allows the financial statements to be prepared on a consistent basis to the prior year; • ensure that there are appropriate interface procedures and controls in place between the material feeder systems and the new ledger; and • the restated CIES and EFA balances are reported accurately in line with the revised reporting structure.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>Revaluation of Council Properties</p> <p>A fifth of the Council owned land and buildings will be subject to revaluation as at 31 March 2020 in order to comply with the requirement of the CIPFA Code of Practice. As these assets were last revalued five years ago, it is possible that the 2020 revaluation exercise could result in material movements on the Council's Balance Sheet.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, including review of the work performed by management experts; • review the competence, expertise and objectivity of any management experts used; • undertake testing to ensure information on revaluations is correctly input to the Council's Fixed Asset Register; and • evaluate management's processes to ensure the carrying value of assets not revalued during the year is not materially different from the current value at the balance sheet date.
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.</p>
<p>Impact of IFRS16</p> <p>The Introduction in 2020-21 of 'International Financial Reporting Standard 16 Leases' may pose implementation risks if the Council Board has not made good progress to date with its preparatory work.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

Performance audit

- 11 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, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21.

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
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.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Vision 2025 Follow Up	Transformation remains a crucial focus for the Council as a means of delivering its corporate improvement objectives and Medium-Term Financial Strategy. This project aims to gain further insight and assurance relating to the Council's delivery of its transformation programme.
Scrutiny Follow Up	This project aims to follow up on our 2018 Scrutiny report and review the new scrutiny arrangements implemented by the Council in 2019. This review is to be conducted jointly with SWAP and the Council.
Corporate Safeguarding Arrangements	A project aimed at reviewing the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.

Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns.
- 13 The number of grant claims that are required to be audited by the Welsh Government for 2019-20 are less than in previous years.
- 14 My estimated audit fee for this work is set out in [Exhibit 3](#).

Fee, audit team and timetable

- 15 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, 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.
- 16 If I do receive questions or objections, I will discuss any potential impact on audit fees at the time.

Fee

- 17 Your estimated fee for 2020 is set out in **Exhibit 3** below. There have been some small changes to my fees rates for 2020, however, my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 5.3% decrease compared to your actual 2019 fee, primarily due to a reduction in the number of grant claims that are required to be audited.

Exhibit 3: 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 (£) ¹	Actual fee last year (£)
Audit of accounts ²	207,830	207,830
Performance audit work ³	110,090	110,180
Grant certification work ⁴	£50,000	70,688
Total fee	367,920	388,698

- 18 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.
- 19 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 20 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 2019 to October 2020.

³ Payable April 2020 to March 2021.

⁴ Payable as work is undertaken.

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
Anthony Veale	Engagement Director and Engagement Lead – Financial Audit	02920 320585	anthony.veale@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320599	huw.rees@audit.wales
Phil Pugh	Audit Manager (Financial Audit)	02922 677839	phil.pugh@audit.wales
David Burridge	Audit Lead (Financial Audit)	02922 677839	david.burridge@audit.wales
Lisa Williams	Audit Manager (Performance Audit)	07970 246975	lisa.williams@audit.wales

Timetable

- 21 Financial accounts work will be undertaken over the period February to September 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.
- 22 There is one potential conflict of interest that I wish to bring to your attention. This relates to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which has a contract to provide a service within Adult Social Care. I have introduced appropriate arrangements to ensure that this officer does not undertake any audit work in respect of this area of the Council's operations. I can confirm that, with the exception of the above, all other members of my team are independent of the Council and your officers.

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