

2021 Audit Plan – Rhondda Cynon Taf County Borough Council

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Contents

2021 Audit Plan	
About this document	4
My duties	4
Impact of COVID-19	5
Audit of financial statements	5
Performance audit	10
Certification of grant claims and returns	12
Statutory audit functions	12
Fee, audit team and timetable	12

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 Rhondda Cynon Taf County Borough Council's (RCT CBC) financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 RCT CBC 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.

Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22, I will still be required to audit the Council's published assessment of its performance that covers the 2020-21 year.

Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 7 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.
- 8 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.
- 9 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.
- 10 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 authority as the 2021 position becomes clearer.

Audit of financial statements

- 11 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 RCT CBC's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether RCT CBC'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 RCT CBC.
- 12 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - certifying a return to the Welsh Government which provides information about RCT CBC 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 RCT pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
 - the audit of the RCT Welsh Church Act Charity's accounts;
 - the audit of Central South Consortium Joint Education Service Joint Committee (a separate audit plan has been prepared for the audit and was taken to the Joint Committee on 18 March 2021);
 - the Limited Assurance report for the Llwydcoed Crematorium joint committee; and
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 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 Council prior to completion of the audit.
- 14 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.
- 15 There have been no limitations imposed on me in planning the scope of this audit.
- 16 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

- 17 The following table sets out the significant risks I have identified for the audit of Rhondda Cynon Taf County Borough 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>Impact of COVID-19 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>
<p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the authority. In some cases, these monies provide financial support to the authority itself. In other cases, the funds have been administered</p>	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the authority.</p>

Audit risk	Proposed audit response
<p>by the authority, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> • incorrect accounting treatment for COVID-19 funding, ie principal or agency arrangements; • fraud/error risks; • potential year-end valuation uncertainty; and • estimation of accrued annual leave provisions. 	
Other audit risks	
<p>City deal</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<p>Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</p>
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers</p>	<p>My audit team will review the provision previously made in relation to the McCloud judgement and monitor progress on the development of</p>

Audit risk	Proposed audit response
<p>were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The final remedy is expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>proposals for a remedy to be applied in the LG pension schemes.</p>

Other matters

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

Exhibit 2: Other matter

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

Other matter	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The authority will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

Performance audit

- 19 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 and sustainable development.
- 20 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 21 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 22 Given the high degree of commonality in the risks facing councils at this time, I also intend to deliver a number of thematic projects examining risks common to all councils.
- 23 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Wellbeing of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 24 In my consultation I have set out and sought views on proposals to:
 - a) continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
 - b) integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
 - c) strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 25 I have written to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.
- 26 In view of the above factors, I intend to retain a high degree of flexibility in my local performance audit programme at Rhondda Cynon Taf County Borough Council and will continue to update the Council as the audit programme changes.
- 27 For 2021-22 this work is set out below.

Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow.
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assurance and Risk Assessment [principal councils only – delete as appropriate for other local government bodies]	<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 Council putting in place proper arrangements to secure value for money in the use of resources. At the Council the project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • financial position; • self-assessment arrangements; • recovery planning; • implications of the Local Government and Elections (Wales) Act; and • carbon reduction plans.
Thematic work Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
Local work - to be determined and discussed with the Council, but may include a project focusing on partnership working around the Cwm Taf Morgannwg University Health Board footprint	To be discussed with the Council.

Certification of grant claims and returns

- 28 I have been requested to undertake certification work on RCT CBC's grant claims and returns.

Statutory audit functions

- 29 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.
- 30 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

- 31 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; and
 - 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.
- 32 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

33 Your estimated fee for 2021 is set out in **Exhibit 4**.

Exhibit 4: 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	229,562	229,562
Performance audit work ³	94,084	94,084
Llwydcoed Joint Committee	2,043	2,043
RCT Welsh Church Act	6,340	6,340
Total fee	332,029	332,029
Grant certification work ⁴	52,000-57,000	61,176

34 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 [\[audited body\]](#).

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

Audit team

36 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

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. We are in the process of completing our 2021-21 performance audit work so the actual fee may differ when the work is complete.

⁴ Payable as work is undertaken.

Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director	02920320707	huw.rees@audit.wales
Richard Harries	Director with responsibility for financial audit work	02920320636	richard.harries@audit.wales
Mike Jones	Audit Manager (Financial Audit)	02920320649	mike.jones@audit.wales
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786111385	sara-jane.byrne@audit.wales
Carwyn Rees	Audit Lead (Financial Audit)	02920829375	carwyn.rees@audit.wales

Timetable

- 37 The key milestones for the work set out in this plan are shown in **Exhibit 6**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 38 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 2021.

Exhibit 6: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	January to February 2021	April 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February to July 2021	September 2021
Llwydcoed Limited Assurance report	July to August 2021	September 2021
Performance audit work: <ul style="list-style-type: none"> • Well-being of Future Generations • Assurance and risk assessment • Local work (to be determined, but may include a project relating to partnership working around the Cwm Taf Morgannwg Health Board footprint) • Thematic work - Springing Forward – Examining the building blocks for a sustainable future 	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
Annual audit summary	January to October 2021	November 2021

Planned output	Work undertaken	Report finalised
Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic rates • List other schemes 	Autumn 2021	December 2021
Other financial audit work <ul style="list-style-type: none"> • Welsh Church Act 	September to December 2021	December 2021
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	January to February 2022	March 2022

- 39 I can confirm that my team members are all independent of Rhondda Cynon Taf County Borough Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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