

2022 Audit Plan – Rhondda Cynon Taf County Borough Council

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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 Council's financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Council 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.

Sustainable development principle

- 5 The Council needs 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

- 6 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 7 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

- 8 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2022; and
 - an assessment as to whether the Council'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 Council.
- 9 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 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 Rhondda Cynon Taf pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
 - the audit of the Welsh Church Act Fund charity (a separate audit plan will be prepared for the Welsh Church Act Fund);
 - the audit of Central South Consortium Joint Education Services Joint Committee (a Separate audit plan has been prepared for the audit of the joint committee);
 - the certification of the Llwydcoed Crematorium Joint Committee return;
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 10 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.

- 11 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.
- 12 There have been no limitations imposed on me in planning the scope of this audit. .
- 13 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

- 14 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>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 240.31-33].</p>	<p>We 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; • evaluate the rationale for any significant transactions outside the normal course of business;
<p>Covid Funding The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. Welsh Government has made available various funding streams to the authority. In some cases, these monies provide financial</p>	<p>We will review the funding streams received from Welsh Government and confirm the appropriate accounting treatment with the authority.</p>

Audit risk	Proposed audit response
<p>support to the authority itself. In other cases, the funds have been administered by the authority, making payments to third parties on behalf of the Welsh Government. Payments have been made available through a number of different schemes over the course of 2021-22 and 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 i.e. principal or agency arrangements • fraud/error risks 	
<p>Asset valuations</p> <p>Accounting for Property, Plant and Equipment and Intangible Assets continued to be one of the most challenging areas of the accounts and gives rise to most of our audit findings. In light of the COVID restrictions that were in place throughout 2021-22 and uncertainties over market values for assets since the start of the pandemic, there is a risk that the carrying value of assets reported in the accounts may be materially different to the current value of assets as at 31 March 2022. In particular, this may be the case where assets have been valued on a rolling basis and not as at the financial year end.</p>	<p>We will review the Council's asset valuation programme to establish when individual groups of assets were valued and seek to confirm that valuations carried out earlier than as at 31 March 2022 are not materially different to the current value of assets as at the year end.</p>
<p>Borrowings</p> <p>The Council entered into a material repayable funding arrangement with Welsh Government during 2021/22. Given that this is a new arrangement of significant value, there is a risk that this will not be accounted for correctly within the Council's financial statements.</p>	<p>My audit team will work with the Council to understand the nature of the loan and confirm that the correct accounting treatment has been applied.</p>

Audit risk	Proposed audit response
Other audit risks	
<p>City deal: 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 programme. 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 work as necessary to assess the existing and proposed financial and governance arrangements.</p>
<p>Group Accounts RCT owned subsidiaries (Cynon Valley Waste Disposal Company Ltd) have increased the value of the Property, Plant and Equipment held by the company. If deemed material, this could trigger a requirement for RCTCBC to prepare a group Statement of Accounts.</p>	<p>Asses if the impact of consolidation would be material. If material, we will audit the preparation of the group Statement of Accounts.</p>
<p>Related parties 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. 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 will review the Council's procedures in gathering related party information specifically relating to members declarations of interest. We will review officers' judgements regarding where control exists and agree values of transactions to the Council. We will ensure information is disclosed inline with the CIPFA Code.</p>

Audit risk	Proposed audit response
At the Council we have previously identified weaknesses in the authority's systems for identifying and recording related party transactions.	

Performance audit

- 15 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 paragraphs 4 and 5 in relation to value for money and sustainable development.
- 16 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.
- 17 For 2022-23, I intend to continue 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 continue to be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 18 Given the high degree of commonality in the risks facing councils I also intend to deliver a number of thematic projects examining risks common to all councils.
- 19 During 2020-21, I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015 from 2020-2025.
- 20 In March 2021, I wrote to the public bodies designated under the Act setting out my intentions, which include a). carrying out specific examinations of how public bodies have set their well-being objectives and b). integrating my sustainable development principle examinations of steps to meet well-being objectives with my national and local audit programmes.
- 21 My auditors are liaising with the Council to agree the most appropriate time to examine the setting of well-being objectives.
- 22 The examination of steps to meet well-being objectives will be conducted as part of work set out in this audit plan and successive audit plans, leading up to my statutory report under the Act in 2025.
- 23 For 2022-23 my performance audit work at the Council is set out below.

Exhibit 2: Performance Audit Programme 2022-23

This table summarises the performance audit programme for 2022-23

Performance audit programme	Brief description
Assurance and Risk Assessment	<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 and acting in accordance with the sustainable development principle</p> <p>The project is likely to focus on:</p> <ul style="list-style-type: none">• financial position• capital programme management• use of performance information – with a focus on service user feedback and outcomes• governance – exact focus to be confirmed• a consideration of other core arrangements and services
Thematic review - unscheduled care	<p>We intend to undertake a cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>
Thematic review - digital	<p>Scope to be determined.</p>
Bespoke local project – focusing on the Council's performance dashboard.	<p>Scope to be confirmed.</p>

- 24 In March 2022, I published [a consultation](#) inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considers topics that may be taken forward through our national value for money examinations and studies and/or through local audit work across multiple NHS, central government and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
 - a targeted and impactful approach to communicating and influencing.
- 25 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 26 We will provide updates on the performance audit programme through our regular updates to the Governance and Audit Committee.

Certification of grant claims and returns

- 27 I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension, NDR and pooled budget returns.

Statutory audit functions

- 28 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.
- 29 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

- 30 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;
 - 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.
- 31 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 32 As set out in our Fee Scheme 2022-23 our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 33 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 3.7% increase compared to your actual 2021 fee.

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 (£) ¹	Actual fee last year (£)
Audit of accounts ²	238,369	229,562
Performance audit work ³	97,440	94,084
Other financial audit work ⁴	2,050	2,043
Total fee	337,589	325,689
Grant certification work ⁵	45,000-55,000	53,005

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 the Council.

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

Audit team

36 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
Richard Harries	Engagement Director	02920320636	richard.harries@audit.wales
Mike Jones	Audit Manager (Financial Audit)	02920320649	mike.jones@audit.wales

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

² Payable November 2021 to October 2022.

³ Payable April 2022 to March 2023.

⁴ Llwydcoed Joint Committee return

⁵ Payable as work is undertaken.

Name	Role	Contact number	E-mail address
Carwyn Rees	Audit Lead (Financial Audit)	02920829375	carwyn.rees@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

37 We have reviewed the independence of the team inline with Audit Wales policy and have no issues that need to be brought to your attention.

Timetable

38 The key milestones for the work set out in this plan are shown in **Exhibit 5**.

39 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	January – March 2022	June 2022
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	July – October 2022	October 2022

Planned output	Work undertaken	Report finalised
Performance audit work: <ul style="list-style-type: none"> • Assurance and Risk Assessment project • Thematic Review – unscheduled care • Thematic Review - digital • Local project – performance dashboard 	<p>Timescales for individual projects will be discussed with the Council and detailed within the specific project briefings produced for each piece of work.</p>	
Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic rates • Teachers Pensions • Pooled Budgets • Social Care Workforce Development 	<p>October 2022 – January 2023</p>	<p>N/A</p>
Other financial audit work <ul style="list-style-type: none"> • Llwydcoed Crematorium 	<p>July 2022</p>	<p>September 2022</p>
Annual Audit Summary	<p>N/A</p>	<p>January 2023</p>

