



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2020 Audit Plan – Carmarthenshire County Council

Date issued: March 2020

Document reference: 1807A2020-21



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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 Carmarthenshire County Council's (the Council's) 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 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 31 July 2020. This is well ahead of the statutory deadline of 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 are 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 Carmarthenshire County 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 Dyfed Pension Fund accounts, a separate audit plan has been prepared for the audit of the pension fund;
 - the audit of Wales Pension Partnership, Swansea Bay City Deal Region joint committees and Burry Port Harbour Authority 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

Audit risk	Proposed audit response
Significant risks	
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>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.
Other areas of audit attention	
Introduction of IFRS 16 Leases in 2020-21 may pose implementation risks.	My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.

Audit risk	Proposed audit response
<p>Financial Statements Production</p> <p>The timetable for producing the financial statements remains demanding. The Council have committed to provide a draft set of financial statements for audit by 31 May 2020 which is two weeks before the required deadline for the 2019-20 financial statements and in accordance with the statutory deadline that will be in place next year.</p> <p>Management will need to ensure that appropriate arrangements are in place for the preparation and oversight of robust financial statements that comply with International Financial Reporting Standards (IFRS) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). In addition, the Finance Team will also need to ensure the provision of good quality working papers at the commencement of the audit, with both these and the statements having been subject to appropriate senior management review.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • provide support and advice wherever possible without compromising our independence; • provide an audit deliverables report to assist in the preparation of relevant working papers in support of the financial statements; • review closedown plans to assess that arrangements are in place to produce robust financial statements within the prescribed timetable; • agree a timetable for the audit and certification of the financial statements; and • assess whether the financial statements comply with the Code.
<p>City deal</p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.</p> <p>The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding.</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 accounting implications for the 2019-20 financial year.</p>

Audit risk	Proposed audit response
<p>Business cases have been approved for two projects and the Welsh Government has made their first annual contribution of £18 million to the joint committee. As such the joint committee will have to produce its first full set of financial statements in 2019-20.</p> <p>Carmarthenshire County Council is the host authority for the Swansea Bay City Deal region. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.</p>	
<p>Llanelli Life Science and Well-being village</p> <p>The main Swansea Bay City Deal project being led by Carmarthenshire Council will be Llanelli's Life Science and Well-being Village. The total investment for this project is £200 million, with £40 million of Welsh Government Funding. Whilst the business case for this project is still being finalised, design work is ongoing and the Council is still working to bring on board an academic partner for the village. This significant project will have financial, governance and delivery risks.</p>	<p>My audit team will monitor progress with the Llanelli Life Science and Well-being village project and carry out early work, as necessary, to assess any accounting implications for the 2019-20 financial year.</p>
<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 Court of Appeal judgment applies to all of the main public service pension schemes, including the Local Government 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>

Audit risk	Proposed audit response
<p>Asset Valuation</p> <p>Our 2018-19 audit identified some significant deficiencies in relation to internal asset valuation processes. These issues were reported to those charged with governance in September 2019. We reached the initial conclusion that the work of the Council's internal valuer could not be relied upon. The audit team had to undertake significant additional work supported by both the Council's property and finance department in order to obtain assurance needed on the accuracy of the financial statements.</p> <p>Over the last few months the Property and Finance Departments have been reviewing internal processes in an attempt to rectify the issues identified in 2018-19. There is a risk that these processes are not yet embedded in asset valuation processes.</p>	<p>My audit team will undertake early audit work to review these revised procedures to ensure that valuations carried out in 2019-20 are robust and supported by appropriate evidence.</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

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.

Performance audit programme	Brief description
Review of waste management	To review the arrangements the Council has put in place to deliver its waste management service, including the governance arrangements for CWM Environmental

Certification of grant claims and returns

12 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Exhibit 3](#).

[Exhibit 3: summary of grant claim certification work](#)

Name of scheme	Period of scheme
Housing Benefit Subsidy	2019-20
Teacher's Pension Return	2019-20
NDR Non-Domestic Rates return	2019-20
Section 34/194 NHS (Wales) Act 2006 Money Transfers	2019-20
Pooled Budget Memorandum Account	2019-20

Fee, audit team and timetable

13 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;
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and

14 If I receive questions or objections, I will discuss potential audit fees at the time.

Fee

15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you.

Exhibit 4: 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	183,946	188,488
Performance audit work ³	100,390	100,216
Grant certification work ⁴	25,000	47,357
Burry Port Harbour Annual Return	860	860
Total fee	310,196	336,921

16 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 of Corporate Services.

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

Audit team

18 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 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken

⁵ Independent Examination of Burry Port Harbour Authority

Exhibit 5: my audit team

Name	Role	Contact number	E-mail address
Ann Marie Harkin	Engagement Director and Engagement Lead – Financial Audit	029 2032 0562	Ann-marie.harkin@audit.wales
Huw Rees	Engagement Lead – Performance Audit	029 20320599	Huw.rees@audit.wales
Jason Garcia	Audit Manager (Financial Audit)	07792 015416	Jason.Garcia@audit.wales
Kate Havard	Audit Lead (Financial Audit)	07813 449396	Kate.havard@audit.wales
Timothy Buckle	Audit Manager (Performance Audit)	07854 652640	Timothy.buckle@audit.wales
Alison Lewis	Audit Lead (Performance Audit)	07773 193217	Alison.lewis@audit.wales

Timetable

- 19 Financial accounts work will be undertaken over the period February to July 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.
- 20 I can confirm that my team members are all independent of Carmarthenshire County 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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