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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 29 May 2024

Notice of Reports Received following Publication of Agenda.

Governance and Audit Committee

Thursday, 6th June, 2024 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
7.	Annual Audit Plan 2024-25	1 - 22

Paul Matthews
Chief Executive

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Monmouthshire County Council – Detailed Audit Plan 2024

Audit year: 2023-24

Date issued: May 2024

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About Audit Wales

Our aims and ambitions

Assure



the people of Wales that public money is well managed

Explain



how public money is being used to meet people's needs

Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

Contents

Introduction	5
Your audit at a glance	8
Financial statements' materiality	9
Significant financial statements' risks	10
Other areas of focus	11
Financial statements' audit timetable	15
Planned performance audit work	16
Certification of grant claims and returns	17
Statutory audit functions	17
Fee and audit team	18
Audit quality	20
Supporting you	21

Introduction

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 2024.

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

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

In addition to my responsibilities for auditing the Council'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);
- the independent examination of Monmouthshire Farm School Endowment Trust charity
- the audit of the Welsh Church Act Fund Charity (a separate plan will be issued for this audit); and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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.

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

Performance audit work

I must satisfy myself that the Council:

- has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year;
- is complying with the sustainable development principle when setting and taking steps to meet their well-being objectives;

My work programme is informed by specific issues and risks facing the Council and wider local government in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This 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

Your audit at a glance



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 override of controls

Other areas of audit focus

- Valuation of land and buildings
- Valuation of the pension fund net liability
- Completeness of related party disclosures
- Senior officer remuneration disclosures



My performance audit will include:

- Assurance and Risk Assessment
- Thematic Review – Staffing resources/pressures in local government
- Local work – to be confirmed



Materiality

Materiality	£3.629 million
Reporting threshold	£0.181 million

Financial statements' materiality



Materiality £3.629m

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

Materiality is calculated using:

- 2022-23 actual expenditure of £362.9 million
- 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 officer remuneration £1,000
- Senior officer and member related parties £10,000

Significant financial statements' risks

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
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: <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 bias; and• evaluate the rationale for any significant transactions outside the normal course of business.

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required

Other areas of focus

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
<p>Valuation of pension fund net liability</p> <p>The Local Government Pension scheme (LGPS) pension fund liability as reflected in the financial statements are material estimates.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels also have a significant impact on the liability.</p> <p>There are also several legal cases potentially impacting on the valuation of the net liability.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work. • assess the competence, capabilities and objectivity of the actuary who carried out the valuations. • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability. • test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary. • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures required; and • assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.
<p>Valuation of land and buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness.

<p>Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations.</p> <p>Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2024, particularly in the current economic environment.</p> <p>In 2022-23 we recommended that the Council revise its treatment of capital expenditure when calculating the impact of revaluation adjustments to ensure assets are appropriately valued.</p>	<ul style="list-style-type: none"> • evaluate the competence, capabilities and objectivity of the professional valuer. • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and • test the reconciliation between the financial ledger and the asset register.
<p>Senior Officer Remuneration</p> <p>There has been a key change in the senior management team during 2023-24.</p> <p>There is a risk that this is not appropriately disclosed in the financial statements as remuneration paid to senior officers continues to be of high interest and is material by nature.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • understand the movements in the senior management team during 2023-24. • ensure that remuneration disclosed is consistent with supporting evidence; and • ensure that amounts paid are consistent with those approved by the Council.
<p>Related Party Disclosures</p> <p>There is a risk that the disclosures are materially understated given the sensitive nature and lower materiality threshold for related party transactions.</p> <p>In 2021-22 we recommended that the Council implement an annual declaration process for members to aide compiling</p>	<p>The audit team will</p> <ul style="list-style-type: none"> • review annual returns to identify related parties; • review other sources, such as Companies House, to confirm the completeness of declarations; and • review ledger transactions to confirm all transactions with

the related party transactions disclosure note. In 2022-23 we found that whilst the Council had established a revised process in response to this, it had not yet been fully implemented.

related parties have been appropriately disclosed.

Financial statements' audit timetable

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
2024 Detailed Audit Plan	February 2024 – June 2024	June 2024
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	July – November 2024	November 2024 ¹

¹ Subject to delivery of draft accounts in line with agreed timetable.

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

<p>Assurance and risk assessment</p>	<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>Ongoing</p>
<p>Thematic review – Staffing resources/pressures in local government</p>	<p>A review of the arrangements that councils have in place to secure appropriate and cost-effective staff resources to support services.</p>	<p>Approximate timescales for the review across all councils are between October 2024 and June 2025.</p> <p>Timescales for individual projects will be discussed with the Council and detailed within the specific project brief produced for each audit.</p>
<p>Local project work</p>	<p>Where appropriate, my audit team will also undertake performance audit work that reflects issues specific to the Council. The focus of the local project work will be discussed and confirmed with the Council.</p>	<p>Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit.</p>

Certification of grant claims and returns, and statutory audit functions

Certification of grant claims and returns

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, Money transfers and Pooled budget returns.

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've made no allowance in the fee below. If I do receive questions and objections, I will discuss potential audit fees at the time.

Fee and audit team

In January 2024 we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4% as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be £404,246

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 S151 and Deputy S151 Officers.

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.

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) ²	Actual fee for 2023 (£)
Audit of financial statements ³	223,447	210,007
Performance audit work ⁴	118,647	111,510
Grant certification work ⁵	52,136	49,000 ⁶
Other financial audit work ⁷	10,016	9,414
Total fee	404,246	379,931

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

³ Payable November 2023 to October 2024.

⁴ Payable April 2024 to March 2025.

⁵ Payable as work is undertaken.

⁶ Estimated as 2022-23 grants certification work is not yet complete.

⁷ Independent Examination of Monmouthshire Farm School Endowment trust £2,016 and Audit of Welsh Church Act Trust Fund £8,000.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact details
Gareth Lucey	Engagement Director	Gareth.lucey@audit.wales
Rachel Freitag	Audit Manager (Financial Audit)	rachel.freitag@audit.wales
Colin Davies	Audit Manager (Performance Audit)	colin.davies@audit.wales
Julie Owens	Audit Lead (Financial Audit)	julie.owens@audit.wales
Charlotte Owen	Audit Lead (Performance Audit)	charlotte.owen@audit.wales

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

Audit quality

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 2023](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.






- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our <u>Good Practice</u> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <u>newsletter</u> which provides you with regular updates on our public service audit work, good practice, and events.
	our <u>publications</u> which cover our audit work completed at public bodies.
	information on our <u>forward performance audit work programme 2023-2026</u> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <u>data tools</u> and <u>infographics</u> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.