



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2020 Audit Plan – **Monmouthshire County Council**

Audit year: 2020

Date issued: March 2020

Document reference: 1792A2020-21



This document has been prepared as part of work performed in accordance with statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the auditor acting on behalf of the Auditor General, in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the auditor acting on behalf of the Auditor General are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

## 2020 Audit Plan

Our duties	4
Audit of financial statements	4
Performance audit	6
Certification of grant claims and returns	7
Fee, audit team and timetable	7

# 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 the financial statements of Monmouthshire County Council (the Council) 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:
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - the audit or independent examination of Monmouthshire County Council Welsh Church Act Fund by 31 January 2021;
  - the audit or independent examination of Monmouthshire Farm School Endowment Trust Fund by 31 January 2021; and

- the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 9 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
<b>Significant risks</b>	
<p><b>Management override</b></p> <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"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>Cardiff Capital Region City Deal</b></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 ten local authorities.</p> <p>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 20 years.</p> <p>There will be a number of accounting issues to address including potential consolidation of the joint committee into the Council's accounts.</p>	<p>Liaising closely with other local authority auditors, my audit team will:</p> <ul style="list-style-type: none"> <li>• monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements; and</li> <li>• consider work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</li> </ul>

Audit risk	Proposed audit response
<p><b>McCloud judgement</b></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 above reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the pension liability disclosed by the Council.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor the development of proposals for a remedy to be applied in the local government pensions scheme, in case of any further accounting implications arising.</p>
<p><b>IFRS 16 - leases</b></p> <p>Introduction of IFRS 16 Leases in 2020-21 may pose implementation risks. While the standard does not apply for the 2019-20 financial year, there is still a likely material disclosure that will need to be made.</p>	<p>My audit team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases, and review any disclosures required for 2019-20.</p>

## Performance audit

10 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.

Performance audit programme	Brief description
Financial Sustainability 2020-21	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.
Local risk-based work including follow-up reviews	An Assurance and Risk Assessment review has been undertaken with Council officers in March 2020, to identify areas of focus for local risk-based work this year. Exact details of this work are still to be confirmed. A further verbal update will be provided to the Audit Committee in person.

## Certification of grant claims and returns

- 11 I have been requested to undertake certification work on the Council's grant claims and returns. A separate report, Certification of Grants and Returns 2018-19, summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2018-19.
- 12 My proposed audit fee for this work in 2019-20 is set out below in [Exhibit 3](#). As previously notified to the Council, the Welsh Government has removed the requirement for certification of grants that they issue to the Council from the 2019-20 financial year onwards. As a result, the proposed fee for this work in 2019-20 has been reduced.

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

14 If I do 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 3](#). 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. This represents a 4.8% decrease compared to your actual 2019 fee, largely due to a reduction in grant certification fees as detailed in paragraph 12 above.

### Exhibit 3: audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	176,068	176,068
Performance audit work <sup>3</sup>	103,080	103,282
Grant certification work <sup>4</sup>	40,000	56,357
Welsh Church Act Fund audit <sup>5</sup>	6,255	6,255
Farm School Endowment Trust Fund independent examination <sup>6</sup>	1,458	1,458
<b>Total fee</b>	<b>326,861</b>	<b>343,420</b>

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 Council.

17 Proposed fees for the Welsh Church Act Fund and the Farm School Endowment Trust Fund are based on the actual costs incurred last year. Fees for this financial year may vary depending on whether a full audit or an independent examination is required. Charity legislation sets out criteria to determine which approach is most appropriate. We will confirm the approaches for the 2019-20 year (as well as any impacts on estimated fees) with the relevant Trustees of these bodies in due course and will inform the Audit Committee of any developments as they arise.

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

---

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021.

<sup>4</sup> Payable as work is undertaken.

<sup>5</sup> Payable as work is undertaken on the Welsh Church Act audit.

<sup>6</sup> Payable as work is undertaken on the Farm School Endowment Trust Fund independent examination.



## Audit team

- 19 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

### Exhibit 4: my audit team

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Director and Engagement Lead (Financial Audit)	029 2032 0585	<a href="mailto:anthony.veale@audit.wales">anthony.veale@audit.wales</a>
Huw Rees	Engagement Lead (Performance Audit)	029 2032 0599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Gareth Lucey	Audit Manager (Financial Audit)	029 2082 9398	<a href="mailto:gareth.lucey@audit.wales">gareth.lucey@audit.wales</a>
Rhodri Davies	Audit Lead (Financial Audit)	029 2032 0367	<a href="mailto:rhodri.davies@audit.wales">rhodri.davies@audit.wales</a>
Non Jenkins	Audit Manager (Performance Audit)	029 2032 0595	<a href="mailto:non.jenkins@audit.wales">non.jenkins@audit.wales</a>
Charlotte Owen	Audit Lead (Performance Audit)	029 2082 9331	<a href="mailto:charlotte.owen@audit.wales">charlotte.owen@audit.wales</a>

## Timetable

- 20 We aim to complete our financial accounts audit fieldwork between February and 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.
- 21 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)