

2021 Audit Plan – The Monmouthshire County Council Welsh Church Act Fund

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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.

Impact of COVID-19

- 2 The COVID-19 pandemic continues to have an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 3 Audit Wales staff will continue to work pragmatically 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 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.
- 4 This audit plan sets out an initial timetable for the completion of my audit work. However, given the on-going uncertainties around the impact of COVID-19, some timings may need to be revisited.

Audit of financial statements

- 5 I am required to issue a report on the financial statements of the Monmouthshire County Council Welsh Church Act Fund which includes an opinion on their 'truth and fairness'. In preparing such a report, I will:
 - give an opinion on your financial statements; and
 - assess whether the Report of the Trustee presented with the financial statements are prepared in line with guidance and consistent with the financial statements.
- 6 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 our work.
- 7 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 Audit Committee prior to completion of the audit.
- 8 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.
- 9 There have been no limitations imposed on me in planning the scope of this audit.

Audit of financial statement risks

10 The following table sets out the significant risks that have been identified for the audit of your financial statements.

Exhibit 1: audit of financial statement risks

| Financial audit risks | 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>The 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 | |
| <p>COVID-19 – resources</p> <p>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>The audit team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process, as well as help to identify areas where there may be gaps in arrangements.</p> |

| Financial audit risks | Proposed audit response |
|--|---|
| <p>COVID-19 – disclosures</p> <p>Last year I included an ‘Emphasis of matter’ paragraph in my audit report, drawing attention to a material valuation uncertainty in the financial statements in respect of the valuation of investment property funds.</p> <p>This uncertainty arose from the COVID-19 pandemic, and my audit opinion was not modified in respect of these matters. However, with the pandemic continuing, it is possible that a similar disclosure may be required this year.</p> | <p>The audit team will review the valuer’s valuation reports and consider the impact on the audit of any reported material uncertainties.</p> |

Fee, audit team and timetable

- 11 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided to the agreed timescales (which may need to be revised), to the quality expected and have been subject to quality assurance review;
 - information provided to support the financial statements is in line with agreed standards, and is provided in a timely manner;
 - appropriate facilities and access to documents are provided to enable my audit team to deliver our 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 Accounting Officer to provide all the assurances that I require in the Letter of Representation addressed to me.

Fee

- 12 Fee rates for 2021 are unchanged from last year. The estimated fee for 2021 is set out in **Exhibit 2** and represents no change from your actual 2020 fee.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for 2020.

| Audit area | Proposed fee for 2021 (£) | Actual fee for 2020 (£) |
|-------------------------------|---------------------------|-------------------------|
| Audit of financial statements | 6,255 | 6,255 |

- 13 The fee for the financial audit is driven by the skill mix required to deliver the work, together with the daily charge rate for each grade of staff member. We estimate that a total of 14 days will be required to complete the audit. The proposed skill mix and fee breakdown is set out in **Exhibit 3**.

Exhibit 3: audit of financial statements fee analysis

This table breaks down the audit fee by daily charge out rate and estimated number of days required for each staff grade.

| Role | Daily Rate | Number of days | % Input |
|-----------------|------------|----------------|---------|
| Engagement Lead | £1,134 | 0.2 | 1% |
| Audit Manager | £833 | 1 | 7% |
| Senior Auditor | £539 | 4 | 28% |
| Trainee | £336 | 9 | 64% |

- 14 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 Chief Officer of Resources.
- 15 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 16 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 |
|---------------|-----------------|----------------|--|
| Anthony Veale | Engagement Lead | 029 2032 0585 | anthony.veale@audit.wales |
| Gareth Lucey | Audit Manager | 029 2082 9398 | gareth.lucey@audit.wales |
| Erin Pollard | Senior Auditor | 029 2082 9371 | erin.pollard@audit.wales |

- 17 I can confirm that my team members are all independent of the Charity and your officers. In addition, we are not aware of any potential conflicts of interest that we need to bring to your attention.

Timetable

- 18 We will continue to undertake such remote work as is possible during the COVID-19 national emergency and may need to revise the timetable as work progresses.

Exhibit 5: timetable

This table sets out the key milestones for the planned audit outputs.

| Planned output | Work undertaken | Report finalised |
|--|-----------------------|------------------|
| 2021 Audit Plan | June-July 2020 | July 2020 |
| Audit of financial statements: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements | October-November 2020 | November 2020 |

| Planned output | Work undertaken | Report finalised |
|------------------------|------------------------|-------------------------|
| 2022 Audit Plan | June-July 2022 | July 2022 |

Appendix 1

Other future developments

Future changes to UK GAAP

Following the introduction of the new UK GAAP accounting regime in 2015-16, and the replacement of the Financial Reporting Standard for Smaller Entities (FRSSE) by Section 1A of FRS 102 in 2016-17, there have been only limited changes to FRS 102 since.

More significant amendments are expected from 2022-23, reflecting recent changes in International Financial Reporting Standards, including accounting for financial instruments and leases.

Good Practice Exchange

Audit Wales' Good Practice (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. This year the work has focused on COVID-19 learning. Further information on this can be found our [website](#).

Brexit: The United Kingdom's future outside the European Union

The United Kingdom left the European Union on 31 January 2020 under the terms of the Withdrawal Agreement. Between then and 31 December 2020, the UK entered a transition period, during which it continued to participate in EU programmes and follow EU regulations. On 31 December 2020, the transition period ended, and a new relationship between the UK and EU started, on the basis of a new free trade agreement.

The new agreement means some substantial changes in the trading relationship between the UK and the EU. There will also potentially be changes in administrative areas previously covered by EU law. In the short term, the UK has incorporated EU rules into domestic law. However, it is likely that in some key areas, such as public procurement, agricultural support and state aid, the UK will seek to diverge over time. In changing these rules, there will be some important constitutional issues around the relationship between the UK Government and devolved governments.

The wider opportunities and risks for Wales' economy, society and environment will become clearer as public services move from managing the short-term risks, especially around disruption to supply chains, to adapting to a different relationship with the EU and the wider world. We are also awaiting further details on the UK Government's plans to replace EU funding schemes for regional development and rural development.

The Auditor General will continue to keep a watching brief over developments. In November, he wrote to the Chair of the External Affairs and Additional Legislation Committee setting out some observations on the latest position with respect to preparations for the end of the transition period. His letter can be found [here](#). His previous report on public bodies Brexit preparations can be found [here](#) with his follow up on progress [here](#).



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