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Auditor General for Wales



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

2015 Audit Plan

Flintshire County Council

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2015 Audit Plan

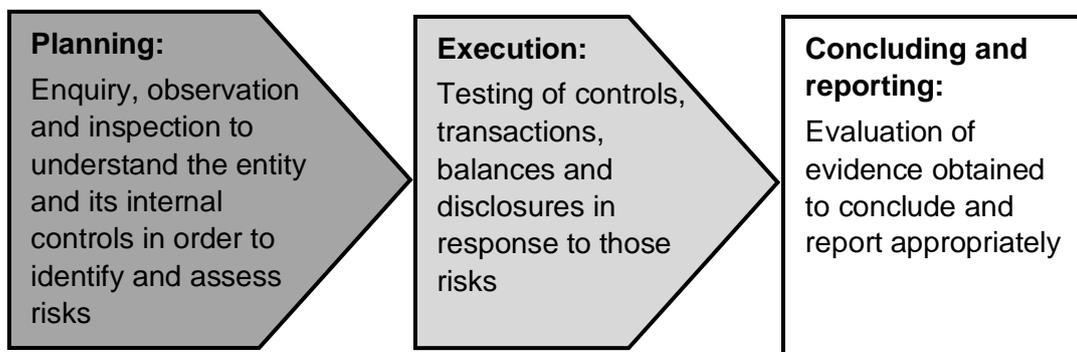
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

4. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
5. I also consider whether or not Flintshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
6. [Appendix 1](#) sets out my responsibilities in full.
7. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



8. The risks of misstatement to the accounts are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit 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 240.31-33].	We 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 biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].	We will review the design and test the operation of controls in the systems relating to: <ul style="list-style-type: none"> • treasury management; • grant income; and • other income sources.
Risk that the Council’s key financial systems and controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.	We will review the key controls to support the production of accurate accounts, including the main accounting system, closedown procedures and where necessary underlying systems, such as debtors, creditors, payroll, treasury management council tax, rents and fixed assets.

Financial audit risk	Proposed audit response
<p>Risks related to preparation of the accounts:</p> <ul style="list-style-type: none"> • Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure. • Risk of material misstatement in the financial statements arising from the accounting for Non-Current Assets on which we have identified a number of issues in previous years. 	<p>We will:</p> <ul style="list-style-type: none"> • undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements; and • consider the accounting treatment and disclosure of non-current assets to ensure that issues identified previously have now been addressed.
<p>The preparation of the Statement of Accounts will involve the estimation of a number of account figures such as provisions for the Council's liabilities (eg pay claims, legal disputes).</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and • documentation held to support estimates derived and judgements made, and refer to papers provided in support of them. <p>We will also ensure that appropriate accounting and disclosure requirements are included within the financial statements.</p>
<p>For a number of years the Council's accounts have contained a provision for the cost of equal pay claims and an equal pay account. During 2014-15 the Council has now settled the majority of these claims.</p>	<p>We will design detailed testing to obtain the required assurance that the transactions relating to equal pay claims and remaining balances (equal pay provision and equal pay account) are fairly stated and have been properly accounted for.</p>
<p>We have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties and the Remuneration note.</p>	<p>We will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p>

9. 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.
10. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.

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11. My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to 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; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
12. In addition to my responsibilities in respect of the audit of Flintshire County Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Flintshire County Council to support preparation of Whole of Government Accounts.
13. I will also issue a separate audit plan for the audit of Clwyd pension fund.

Certification of grant claims and returns

14. I have been requested to undertake certification work on Flintshire County Council's grant claims and returns. In 2014-15 I expect to audit between 15 and 20 claims, a number of which are complex in nature, namely; the Housing Benefits and Council Tax Benefits claim; the Teachers Pension Return; Communities First grant claims; and, the European Funds claim (North East Wales Town Centre Regeneration Project).
15. An estimate of my audit fee for this work is set out in [Exhibit 6](#).

Overall issues identified

16. [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2013-14.

Exhibit 3: Overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2013-14

In 2013-14, we audited 19 claims and returns of which 10 were qualified. The key issues resulting in qualifications were:

- there was insufficient supporting evidence to support the expenditure included within the claim form;
- the Council's contract rules had not been adhered to; and
- there were inadequate monitoring arrangements in place for expenditure incurred by partners, third parties and schools.

Whilst the Council has improved its overall arrangements for the preparation and certification of claims and returns in recent years, there is still room for further improvement.

Qualified grant claims and returns qualified in 2013-14

In particular:

- the Council needs to ensure that claims are supported by detailed working papers including a clear reconciliation between the claim and the underlying financial ledger; and
- the Council should further develop monitoring processes for third-party expenditure, ensuring that grant requirements are met for all expenditure incurred within the various schemes.

Issues related to specific grant claims and returns

17. In addition to the overall issues identified above, I will issue a separate report 'Certification of Grants and Returns 2013-14' in April 2015 which will set out the significant issues I have identified relating to individual grant claims and returns.

Other work undertaken

18. I am also responsible for the audit of the North Wales Residual Waste Joint Committee, Connah's Quay Harbour Authority and the Welsh Church Fund.
19. I wish to draw your attention to the following risk area I have identified in relation to the Joint Committee:
 - The procurement process to secure a sustainable waste solution for five North Wales' authorities is nearing its close. We will review the developing position and consider the implications for the Joint Committee's financial statements.
20. I wish to draw your attention to the following risk area I have identified in relation to the Connah's Quay Harbour Authority:
 - Section 42(1) of the Harbours Act 1964 sets out that statutory harbour undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour ('harbour authorities') are required to prepare an annual statement of accounts relating to harbour activities. The Council has met this requirement by the inclusion of harbour activities in its main financial statements. However, we are advised that this does not satisfy the requirements of section 42(1) and therefore a standalone annual statement of accounts relating solely to harbour activities is required. This is therefore the first year of preparation and audit. As the financial activities are low in value (less than £1,000) the annual return will be subject to a limited assurance audit.
21. There are no specific risks that I wish to draw to your attention in relation to the Welsh Church Fund.
22. My team will undertake the audit of these accounts on my behalf in accordance with the timescales agreed with Flintshire County Council and the Charity Commission (for the Welsh Church Fund).
23. My audit fee for this work is set out in **Exhibit 6**.

Performance audit

24. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
25. In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.
26. I set out in this section the 12-month programme of performance audit work to be undertaken at Flintshire County Council. The content of the programme has been determined by a consideration of the risks and challenges facing Flintshire County Council, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including Flintshire County Council's own mechanisms for review and evaluation.
27. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



28. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p>‘Improvement plan’ audit Audit of discharge of duty to publish an improvement plan.</p> <p>‘Assessment of performance’ audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on reserves position, policy and use of reserves.</p> <p>Governance review TBC</p> <p>Performance management review Benchmarking social services costs against performance – in conjunction with CSSIW.</p> <p>Locally determined review(s) TBC in consultation with the Council.</p>
Follow-up work	<p>I will maintain a focus on assessing the progress that has been made in implementing proposals for improvement from my previous work. As part of this work, I will seek assurance that the Council has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee.</p> <ul style="list-style-type: none"> • I intend to undertake specific follow-up work on the Council’s response to the proposals for improvement included in my Corporate Assessment and Annual Improvement Report, issued in March 2015.
Local government studies	<p>Studies will be finalised in April following completion of the Auditor General’s statutory consultation process.</p>
Good practice	<p>In line with my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.</p>

Fee, audit team and timetable

Fee

29. Your estimated fee for 2015 is set out in [Exhibit 6](#). This figure represents no change to the fee set out in the 2014 annual audit outline.

Exhibit 6: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	216,336	216,366
Performance audit work:²		
• Improvement audit and assessment work and follow-up	104,058	104,058
Performance audit work total	104,058	104,058
Total fee	320,424	320,424
Grant certification work⁴	£75,000 to £85,000	85,926
Other financial audit work³		
• North Wales Residual Waste Joint Committee	920	5,856
• Connah's Quay Harbour	30	0
• Welsh Church Fund	1,508	1,508
Total fee for other audit work	2,458	7,364

Notes:

¹ Payable November 2014 to October 2015.

² Payable April 2015 to March 2016.

³ Payable as work is undertaken – fee based on current understanding of the turnover of the bodies in accordance with our limited assurance regime

⁴ Payable as work is undertaken and subject to the level of testing required.

30. 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 Flintshire County Council.
31. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

32. The main members of my team, together with their contact details, are summarised in Exhibit 7.

Exhibit 7: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director and Engagement Lead – Financial Audit	02920 320566	john.herniman@wao.gov.uk
Jane Holownia	Engagement Lead – Performance Audit	02920 320565	jane.holownia@wao.gov.uk
Amanda Hughes	Financial Audit Manager	07969 919986	amanda.hughes@wao.gov.uk
Michelle Phoenix	Financial Audit Team Leader	07966 073281	michelle.phoenix@wao.gov.uk
Huw Lloyd Jones	Performance Audit Manager	07813 822017	huw.lloydjones@wao.gov.uk
Paul Goodlad	Performance Audit Lead	07854 108620	paul.goodlad@wao.gov.uk

33. I can confirm that my team members are all independent of Flintshire 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.

Timetable

34. I will provide reports, or other outputs as agreed, to Flintshire County Council covering the areas of work identified in this document. My key milestones are set out in Exhibit 8.

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	November 2014 – January 2015	March 2015
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2015	September 2015 September 2015 October 2015

Planned output	Work undertaken	Report finalised
Performance work: <ul style="list-style-type: none"> Improvement Plan audit Assessment of Performance audit Other work 	June 2015 November 2015 April 2015 – December 2015	(Estimated)* June 2015 November 2015 TBC
Annual Improvement Report	April 2015 – January 2016	March 2016
2016 Audit Plan	October – December 2015	February 2016

** Subject to timely clearance of draft findings with Flintshire County Council.*

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Flintshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Flintshire County Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Flintshire County Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Flintshire County Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

To discharge the requirements of the Measure, I undertake periodic corporate assessments at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.

I may also in some circumstances carry out special inspections (under section 21), in respect of which I will provide a report to the relevant authorities and Ministers, and which I may publish (under section 22). I will summarise audit and assessment reports in my published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

In addition to my programme of audit and assessment work under the Measure, I undertake a programme of Local Government Studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

Appendix 2

National value-for-money studies

Flintshire County Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ²	To be confirmed
Wales Life Sciences Investment Fund ³	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

³ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ⁴	To be confirmed
Welsh Government interventions in local government ⁵	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

⁴ In the short-term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁵ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales and to take into account any wider implications arising from the local government reform programme.

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