

REPORT OF WALES AUDIT OFFICE

SUBJECT:
WALES AUDIT OFFICE AUDIT PLAN 2020

Summary

To receive the Audit Plan for 2020 from the Wales Audit Office.

Introduction

In accordance with the requirements of the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, the Local Government Act 1999, and the Code of Audit Practice, the Authority is audited by the Wales Audit Office. The main aim of this process is to:

- examine and certify whether our financial statements are 'true and fair';
- assess whether we have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
- audit and assess whether we have discharged duties and met requirements of the Local Government Measure; and
- undertake studies to enable the Auditor General for Wales to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

The programme of work for the next year is outlined in the Wales Audit Office Audit Plan 2020, which is included as Annex A. Officers of the Wales Audit Office will attend either meetings of the National Park Authority or the Audit and Corporate Services Review Committee to report on progress.

Financial Considerations

The Authority pays a fee for the Audit work. Over a number of years the Authority along with the other two National Park Authorities have argued that this fee is too high.

Risk Considerations

The work undertaken by the Wales Audit Office can contribute to managing risk and providing assurance for the work of the Authority.

Compliance

The work undertaken by the Wales Audit Office as part of this plan is part of our compliance framework.

Human Rights/Equality issues

There are no specific implications.

Biodiversity implications/Sustainability appraisal

There are no specific implications

Welsh Language considerations

There are no specific implications

Conclusion

Members are asked to Note the Audit Plan.

RECOMMENDATION:

Members are asked to Receive and Note the Audit Plan 2020

Background documents

(For further information, please contact Richard Griffiths, extension 4815 or at Richardg@pembrokeshirecoast.org.uk)

2020 Audit Plan – Pembrokeshire Coast National Park Authority

Audit year: 2019-20

Date issued: April 2020

Document reference: 1839A2020-21

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.

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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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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 the Pembrokeshire Coast National Park Authority's (the Authority) financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Authority 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 Authority 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.

Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased on all on-site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the Authority once the current

national emergency situation is over and the Authority is in a position to prepare its accounts.

- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

My responsibilities

- 11 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 Authority's financial statements in accordance with a timetable to be agreed.
 - assess whether the Authority'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 Authority and with our knowledge of the Authority.
- 12 In addition to our responsibilities for auditing the Authority'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).
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 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

- 15 The following table sets out the significant risks I have identified for the audit of the Authority.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	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>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	
<p>Impact of COVID-19 – general risks</p> <p>The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> • subsequent events. The Authority is, at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor’s report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events, but some form of disclosure may be needed. • use of estimates. The uncertainties and delays caused by the UK-wide lockdown may result in actual data 	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> • we will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework; • we will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue; • we will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage; and • we will adopt a greater focus on the following areas: <ul style="list-style-type: none"> – the financial statement closing process (in particular journal entries)

Audit risk	Proposed audit response
<p>being unavailable and greater use of estimates in preparing the accounts.</p>	<p>and other adjustments made); and</p> <ul style="list-style-type: none"> – the auditor’s evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.
<p>Asset valuations</p> <p>The crisis in global and local property markets means that the risk that PPE are materially misstated is significantly increased.</p> <p>A recent RICS valuation alert identified concerns around material uncertainties. In some cases, valuers’ reports may contain a statement to the effect that there is significant estimation uncertainty contained within this year’s valuations.</p> <p>In relation to a rolling valuation programme, with the current crisis, it is possible that those assets not revalued in the current year will not continue to be materially fairly stated at 31 March 2020 because of movements either in local property markets or global construction indices.</p> <p>Where rolling programmes are put in place, the onus is on authorities to ensure that those assets not formally revalued in the year, remain materially fairly stated.</p>	<p>My audit work will consider:</p> <ul style="list-style-type: none"> • the basis of the asset valuations including the key assumptions; and • whether any of the asset valuations limitations have any limitations imposed by disclaimers included in valuers’ reports.
<p>IAS19 pension liabilities</p> <p>In many cases, actuaries use 31 December / 29 February investment values for the purpose of calculating 31 March net pension liabilities.</p> <p>The crisis in the financial markets may have had a significant impact upon Fund assets at the balance sheet date. Therefore, there is a risk that pension liabilities may be materially understated.</p>	<p>My audit work will consider:</p> <ul style="list-style-type: none"> • the basis for the valuation of pension fund assets and liabilities; and • actuarial assumptions that underpin the IAS19 valuations. <p>Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS 19 disclosures. We will review your actuary’s IAS 19 reports and our consulting actuary’s assessment and discuss any concerns with you at an</p>

Audit risk	Proposed audit response
	early stage.
<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. 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 judgment applies to all of the main public service pension schemes. The impact of the judgement is likely to have a significant impact on pension liabilities disclosed by the Authority.</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 Local Government Pensions Scheme.</p>

- 16 You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the Authority is working towards preparing accounts in accordance with the full Code.
- 17 For information, the introduction of IFRS 16 Leases has been deferred until 2021-22 due to COVID-19. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks. We will continue to work with the Authority in respect of its preparedness.

Performance audit

- 18 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 this work is set out below.

Exhibit 2: Performance Audit Programme 2020

This table summarises the performance audit programme for 2020.

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.
Resilient and sustainable services	This review will build upon recent audit work and will examine the barriers and opportunities facing the Authority to determine how sustainable services are in line with the Wellbeing of Future Generations Act.

- 19 On 18 March 2020, the Auditor General wrote to the Chief Executive explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under ongoing review and will communicate further information regarding the above programme of work (including the timings and the likely outputs) when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the sector.

Fee, audit team and timetable

- 20 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, 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 officers 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
 - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 21 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 22 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.

Exhibit 3: 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	24,696	24,696
Performance audit work ³	17,084	17,084
Total fee	41,780	41,780

- 23 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 or if there are significant changes to the financial reporting framework. I shall make no changes without first discussing them with the Authority.
- 24 Further information on my [fee scales and fee setting](#) can be found on our website.

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

Audit team

25 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 Director	02920 320585	Anthony.Veale@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320599	Huw.rees@audit.wales
Deryck Evans	Audit Manager – Financial Audit	02920 320559	Deryck.Evans@audit.wales
Nick Selwyn	Audit manager - Performance Audit	02920 320612	Nick.Selwyn@audit.wales
Lucy Herman	Senior Auditor - Financial Audit	02920 320680	Lucy.Herman@audit.wales

Timetable

- 26 We will continue to undertake as much remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 27 We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can and are supportive of ‘extending’ the accounts window where required. It will be vital that this close engagement continues over the next few months, against what will doubtless be a fast-changing backdrop.

- 28 Therefore, we will report on a timetable for our audit work in due course.
- 29 I can confirm that my team members are all independent of the Authority and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Accounts and Audit (Wales) Regulations 2014

- 30 In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.
- 31 The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in Appendix A and example notices in Appendix B that the Authority may wish to consider using.
- 32 The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply, eg public access to the authority's accounting records.
- 33 Therefore, my audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.
- 34 Therefore, the audit notice required for the exercise of electors' rights under the Public Audit (Wales) Act 2004 and issued to the Authority on 12 March 2020 should not be published.
- 35 The audit team will issue an audit notice in due course setting out the appointed date.
- 36 This may mean that there is a delay before we can issue our audit opinion.

Appendix A: Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May].”

The guidance also notes that the accounts should be published by [31 July] even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Appendix B](#).

Appendix B: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of [name of body] sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of [name of body] sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

[The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, [name of body] approve and publish the audited statement of accounts. The Regulations required that this be completed by 31 July 2020.

[Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.]

OR

[Due to the COVIC-19 outbreak, [name of body] has not met to approve the statement of accounts.]

OR

[Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.]



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

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