



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

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Auditor General for Wales

# 2019 Audit Plan – **Caerphilly County Borough Council**

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Further information on this is provided in [Appendix 1](#).

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

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# 2019 Audit Plan

## Summary

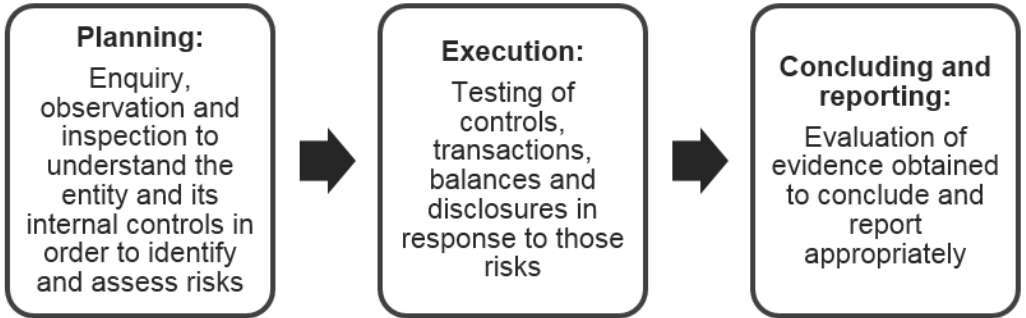
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Well-being of Future Generations (Wales) Act 2015, the 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 the duties and met the 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 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not Caerphilly County Borough Council (the 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.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 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**

This table summarises the three phases of my financial audit approach, being planning, testing and reporting.



9 The risks of material misstatement which I consider to be significant, and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them. Also, included are other key areas of audit attention my team will be focusing on.

**Exhibit 2: financial audit risks**

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

Financial audit risk	Proposed audit response
<b>Significant risks</b>	
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].	My audit team will: <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>

Financial audit risk	Proposed audit response
<b>Significant risks</b>	
Valuation of property, plant and equipment	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• consider the competence, expertise and objectivity of any management experts used;</li> <li>• discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions where appropriate;</li> <li>• review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• test revaluations made during the year to ensure they are input correctly into the asset register; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to the current value.</li> </ul>
Valuation of Pension Fund Net Liability	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls have been implemented and operated as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• evaluate the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We will gain an understanding of the basis on which the valuations are carried out;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made; and</li> <li>• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries.</li> </ul>

Financial audit risk	Proposed audit response
<b>Other areas of audit attention</b>	
<p><b>New accounting standards</b></p> <p>IFRS 9 financial instruments applies from 1 April 2018 and brings in a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p> <p>IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	<p>My audit team will assess the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>

- 10 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. For planning purposes, we have determined that materiality is £6.132 million, which is 1% of total gross expenditure. Final materiality will be reported to the Audit Committee prior to the completion of the audit. 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.
- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 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<sup>1</sup>;
  - 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; and
  - 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.
- 13 As part of the 2017-18 audit, I identified a number of deficiencies in the planning, reporting and communication of the work of Internal Audit. Our discussions with officers as part of the 2019-20 audit planning process have indicated that progress is being made to address the issues that I identified in the audit. I will undertake a review of the current arrangements to inform the conclusion of the 2019-20 audit opinion, reporting on the progress made and where, if necessary, further actions should be focussed.
- 14 In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Caerphilly County Borough Council to support preparation of Whole of Government Accounts.
- 15 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.
- 16 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 17 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Performance audit

- 18 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities, I will continue to seek to strike the most appropriate balance and add value by:
- providing assurance on the governance and stewardship of public money and assets;

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<sup>1</sup> The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.



- offering insight on the extent to which resources are used wisely in meeting people’s needs; and
  - identifying and promoting ways by which the provision of public services may be improved.
- 19 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will continue to minimise work that focuses on the process of improvement planning.
- 20 In my audit plan for 2018, I explained that in previous years I had placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future it is likely that I will be unable to rely on my work under the Measure, in 2019-20, and subsequent years, the focus of my local performance audit programmes will continue to be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 21 In 2018-19, I undertook an examination of the extent to which you are acting in accordance with the sustainable development principle in taking steps to meet your wellbeing objectives. During 2019-20, I will undertake a further examination to assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your wellbeing objectives. This will be the final piece of work I will undertake to discharge my duties under the Well-being of Future Generations Act at the Council prior to laying my first cyclical report with the National Assembly in 2020. During 2019-20, I will also be considering how to discharge my duties under the Act over the period 2020 to 2024 and I will seek to engage with local authorities as well as other stakeholders in developing my approach.
- 22 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 23 Taking all these factors into consideration, my 2019-20 programme of work will comprise:

**Exhibit 3: performance audit programme**

<b>Performance audit programme</b>	<b>Brief description</b>
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.

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its wellbeing objectives.
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.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.
Transformation	This project will review the effectiveness and impact of the Council's transformation programme in driving sustainable and efficient improvement. We will discuss the focus and approach to this project with the Council.
2019-20 Local Government Studies	(Funded by the Welsh Consolidated Fund) The Auditor General has recently completed his consultation on his forward work programme and his local government studies for 2019-20 are; <ol style="list-style-type: none"> <li>1. Public Service Boards</li> <li>2. Impact of austerity on local authority discretionary services</li> <li>3. Commercialisation in local authorities</li> </ol> We will confirm whether the Council will be a fieldwork site for any of these studies shortly.

24 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

## Certification of grant claims and returns

25 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 3](#).

26 As was the case last year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.

27 My audit fee for this work is set out in [Exhibit 5](#).

## Overall issues identified

28 [Exhibit 4](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2017-18.

### Exhibit 4: overall issues relating to grant claim and return certification

<b>Qualified grant claims and returns qualified in 2017-18</b>
<p><b><u>Housing Benefit and Authority Tax Subsidy</u></b></p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p><b><u>Rent Allowances</u></b></p> <ul style="list-style-type: none"><li>• Total expenditure related to cases not requiring referral to the rent officer – this error was identified in-year where the incorrect rent liability was used when calculating the benefit. This led to an extrapolated overstatement in cell 102 of £71 with a corresponding understatement of cell 113.</li><li>• Total Expenditure (Benefit Granted) – this is an error that has also been identified in prior years, where the average weekly income was calculated incorrectly, this led to an extrapolated overstatement of £541 with a corresponding understatement in cell 113.</li><li>• Eligible Overpayments (current year) – this is an error that has also been identified in prior years, where expenditure was misclassified as eligible overpayment rather than LA Error, this led to an extrapolated overstatement in cell 114 of £0.46 with a corresponding understatement of cell 99.</li></ul> <p>Two of the 'In-year reconciliation' cells on the claim form did not agree. This was reported in the Qualification Letter.</p> <p>An amendment was also made to the claim to ensure the accuracy of information reported. Cell 229 (Average actual weekly rent per dwelling for 2017-18) was adjusted by £2.43 and Cell 230 (Rental Income for 2017-18) was adjusted by £177,868 to read £82.64 and £45,743,368 respectively. These adjustments had no impact on the subsidy claimed.</p> <p><b><u>Local Transport Grant</u></b></p> <ul style="list-style-type: none"><li>• The claim was incorrectly completed in £000's, causing an overstatement of the expenditure on the claim form. This was adjusted and has no impact on the grant award claimed.</li></ul>
<b>Effectiveness of grant co-ordination arrangements</b>
<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work.</p>

## Issues related to specific grant claims and returns

- 29 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 3](#).

## Fee, audit team and timetable

### Fee

- 30 Your estimated fee for 2019 is set out in [Exhibit 5](#). 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 on to you. This represents a 0.03% increase compared to your actual 2018 fee. [Insert short explanation for change if appropriate].

#### Exhibit 5: audit fee

This table sets out the proposed audit fee for 2019, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>2</sup>	Actual fee last year (£)
Audit of accounts <sup>3</sup>	250,000	250,000
Performance audit work <sup>4</sup>	104,815	104,776
Total fee	354,815	354,776
Grant certification work <sup>5</sup>	Scope of work to be confirmed	41,788

- 31 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.
- 32 Further information on my [fee scales and fee setting](#) can be found on our website.

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<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>3</sup> Payable November 2018 to October 2019.

<sup>4</sup> Payable April 2019 to March 2020.

<sup>5</sup> Payable as work is undertaken.

## Audit team

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

### Exhibit 6: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Huw Rees	Engagement Director and Engagement Lead – Performance Audit	029 20320 599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Barrie Morris	Engagement Lead – Financial Audit	0117 305 7708	<a href="mailto:barrie.morris@uk.gt.com">barrie.morris@uk.gt.com</a>
Grace Hawkins	Financial Audit Team Manager	02920 347542	<a href="mailto:grace.e.hawkins@uk.gt.com">grace.e.hawkins@uk.gt.com</a>
Non Jenkins	Performance Audit Manager	029 20320 595	<a href="mailto:non.jenkins@audit.wales">non.jenkins@audit.wales</a>
Gareth Jones	Performance Audit Lead	029 20320 548	<a href="mailto:gareth.jones@audit.wales">gareth.jones@audit.wales</a>

34 I can confirm that that my team members are all independent of Caerphilly County Borough 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

35 I will provide reports, or other outputs as agreed, to Caerphilly County Borough Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

### Exhibit 7: timetable

This table sets out the proposed timetable for completion and reporting of my audit work at the Council.

Planned output	Work undertaken	Report finalised
2019 Audit Plan	December 2018 to January 2019	March 2019
Financial accounts work: <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul>	February to September 2019	September 2019 September 2019 October 2019
Performance work: <ul style="list-style-type: none"> <li>• Improvement Plan Audit</li> </ul>	April 2019	April 2019
<ul style="list-style-type: none"> <li>• WFG Act Examination</li> </ul>	May to August 2019	September 2019*
<ul style="list-style-type: none"> <li>• Assessment of Performance Audit</li> </ul>	October to November 2019	November 2019
<ul style="list-style-type: none"> <li>• Assurance and Risk Assessment</li> </ul>	October to November 2019	December 2019
<ul style="list-style-type: none"> <li>• Financial Sustainability</li> </ul>	TBC	TBC
<ul style="list-style-type: none"> <li>• Transformation</li> </ul>	September to December 2019	December 2019*
Annual Improvement Report	April 2019 to May 2020	June 2020
2020 Audit Plan	October to December 2019	January 2020

\*Estimated

## Future developments to my audit work

- 36 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 4](#).

# Appendix 1

## Respective responsibilities

### Audit of accounts

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 Caerphilly County Borough 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;
- Caerphilly County Borough 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 Caerphilly County Borough 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 Caerphilly County Borough 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 Public Audit (Wales) Act 2004 requires me, by examination of the accounts or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

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.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities

and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting wellbeing objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

## Appendix 2

### Performance work in last year's audit outline still in progress

Exhibit 8: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
<b>Environmental Health</b> Review of the arrangements the council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Scoping	We are conducting a short follow-up of the Council's progress in addressing the recommendations made in the Auditor General's national study. We aim to conclude this work by early Autumn 2019.
<b>Leisure Services</b> Review of the arrangements the council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Scoping	We are conducting a short follow-up of the Council's progress in addressing the recommendations made in the Auditor General's national study. We aim to conclude this work by early Autumn 2019.
<b>Corporate Safeguarding Arrangements</b> Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.	Scoping	We are conducting a short follow-up of the Council's progress in addressing the recommendations made in the Auditor General's national study. We aim to conclude this work by early Autumn 2019.

# Appendix 3

## Summary of grant claim certification work

### Exhibit 9: summary of grant claim certification work

This table summarises my 2018-19 programme of grant claim certification work

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
BEN01	Housing Benefits and Authority Tax Subsidy	30/04/2018	25/04/2018	No	Yes	Disclosure		
TRA15	Local Transport Grant	30/09/2018	25/09/2018	No			Disclosure	
RG03	Communities First – All Clusters	31/07/2018	06/07/2018	No				Yes
EDU18	21st Century Schools	30/09/2018	26/09/2018	No				Yes
LA01	Non-Domestic Rate	31/05/2018	31/05/2018	No				Yes
HLG01	Gwent Frailty Partnership	27/04/2018	25/04/2018	No				Yes
HLG03	Section 28a Annual Voucher – Wanless	30/09/2018	07/09/2018	No				Yes
HLG03	Section 28a Annual Voucher – Learning and Disability	30/09/2018	07/09/2018	No				Yes
PEN05	Teachers Pensions	31/05/2018	30/04/2018	No				Yes
LA99	Summary of Certified Welsh Government Grants	15/06/2018	31/05/2018	No				Yes

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
TRA23	Free Concessionary Travel (The financial element of this claim is now included in the 'Summary of Certified Welsh Government Grants (LA99)'. Auditors were required to report on the management of Smartcard Data and ISAM chips under CI TRA23).							
	<b>Total</b>				<b>1</b>	<b>£177,870</b>	<b>£0</b>	<b>8</b>

The overall grants work programme in 2019 is expected to include Housing Benefit subsidy, 21st Century Schools, Non-domestic rates, Teachers Pensions, Communities First, pooled budgets and money transfers, and the Summary Schedule of Welsh Government funding.

Locally, there may also be Communities First, pooled budgets and money transfers grants claims.

# Appendix 4

## Other future developments

### A. Forthcoming key IFRS changes

#### Exhibit 10: changes to IFRS standards

This table details the key future changes to International Financial Reporting Standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

### B. Good Practice Exchange

The Wales Audit Office's 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 on line. The main areas of work are regarding financial management, public-sector staff and governance.

[Further information, including details of forthcoming GPX events and outputs from past seminars.](#)

### C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February 2019, the Auditor General issued a report<sup>6</sup> on preparations in Wales for a 'no deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

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<sup>6</sup> <http://www.audit.wales/publication/preparations-wales-no-deal-brexite>

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