



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – **Caerphilly County Borough Council**

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2018 Audit Plan

Summary

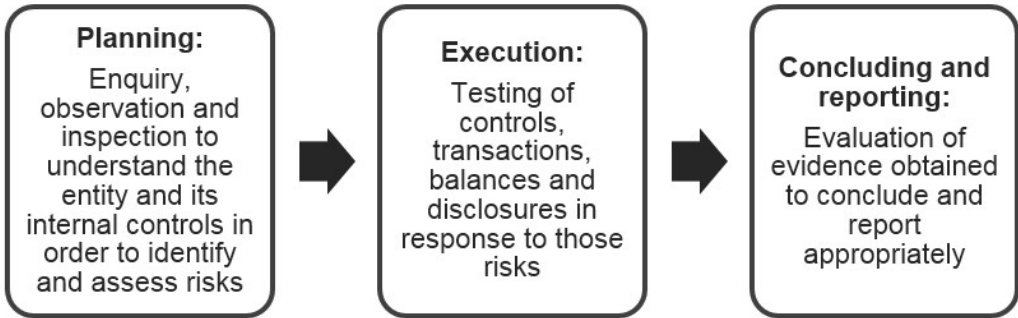
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the 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 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 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.

Exhibit 1: my audit approach

My audit approach involves three key stages: planning, execution and finally concluding 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.

Exhibit 2: financial audit risks

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

Financial audit risks - Significant	Proposed audit response
<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 bias; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Valuation of property, plant and equipment (net).</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate; • review the competence, expertise and objectivity of any management experts used; • review and challenge the information used to ensure it is robust and consistent with our understanding; and

Financial audit risks - Significant	Proposed audit response
	<ul style="list-style-type: none"> • test individual depreciation charges made during the year to ensure they are input correctly into the council's asset register and correctly reflected in the financial statements.
Valuation of property, plant and equipment (Gross)	<p>My audit team will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • consider the competence, expertise and objectivity of any management experts used; • discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions where appropriate; • review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; • test revaluations made during the year to ensure they are input correctly into the asset register; and • 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 current value.
Valuation of Pension Fund Net Liability	<p>My audit team will:</p> <ul style="list-style-type: none"> • 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; • 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made; and

Financial audit risks - Significant	Proposed audit response
	<ul style="list-style-type: none"> • 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.
<p>Accounting for the City Deal: City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established Cardiff Capital Region – a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<ul style="list-style-type: none"> • Liaising closely with the external auditors of the other Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work, as necessary, to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.

Financial audit risks – Other Risks	Proposed audit response
<p>Operating Expenses – Creditors related to core activities understated or not recorded in the correct period.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • document our understanding of the controls operating in the creditors system; • perform a walkthrough to confirm that the controls identified are in operation; • test for completeness of operating expenses including agreeing to source documentation and reviewing invoices received after the year end;

Financial audit risks – Other Risks	Proposed audit response
	<ul style="list-style-type: none"> • obtain an understanding of the accruals process; and • test for unrecorded liabilities, including review of payments made after the year end.
Employee remuneration and benefit obligations and expenses understated.	<p>My audit team will:</p> <ul style="list-style-type: none"> • document our understanding of the controls operating in the payroll system; • perform a walkthrough to confirm that the controls identified are in operation; • undertake analysis of trends and relationships to identify any anomalous areas for further investigation; • review and test the reconciliation of payroll system to the general ledger; • perform substantive testing of Senior Officer payroll payments, ensuring that payments are made in accordance with the individual's contract of employment; and • review payments made to former employees, including compensation payments, to ensure all costs are accurately recorded and that adequate disclosures are made within the notes to the accounts.

- 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 £5.533 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 (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 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;
 - 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 In addition to my responsibilities in respect of the audit of Caerphilly County Borough 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.

Statutory audit functions

- 14 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.
- 15 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.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Performance audit

- 17 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;
 - 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.
- 18 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 minimise work that focuses on the process of improvement planning.
- 19 In recent years I have 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 I will be unable to rely on my work under the Measure, in 2018-19, and subsequent

years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.

- 20 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 21 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. **Exhibit 3** summarises the present position on the current programme of studies. 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.
- 22 In the spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

Study	Status
2016-17 studies	
How local government manages demand	Published January 9 2018
Improving wellbeing through housing adaptations	Published February 22 2018
Strategic commissioning	Publish in April 2018
2017-18 studies	
Services to rural communities	Fieldwork – Publish Summer/Autumn 2018
Use of data	Fieldwork – Publish Summer/Autumn 2018
Integrated care fund	Fieldwork February – Publish Autumn 2018

23 Taking all these factors into consideration, my 2018-19 programme of work is set out below in [Exhibit 4](#).

Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit.	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations.	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet the one or more of its wellbeing objective- which we will discuss and agree with the Council during early 2018-19.
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.
One or more of the themed reviews described opposite. We are currently discussing with the Council which of the review(s) will be undertaken. The outcomes of the discussions will be reported to the next meeting of the Audit Committee	<p>Environmental Health 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.</p> <p>Leisure Services 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.</p> <p>Corporate Safeguarding Arrangements Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.</p>
WHQS follow up	Review of the Council's progress against its commitments made in November 2017 in response to our WHQS review.
2018-19 Local Government Studies	Funded by the Welsh Government.

Performance audit programme	Brief description
Implementation of the Social Services and Well-being Act	<p>The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our call for evidence report published in August 2017.</p>
Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	<p>The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our call for evidence report published in August 2017.</p>

Performance audit programme	Brief description
Value for Money of Planning Services	<p>The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our call for evidence report published in August 2017.</p>

- 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 Caerphilly County Borough Council’s grant claims and returns as set out in [Appendix 3](#). Details there are provided on our expectation that the Welsh Government will streamline its assurance arrangements by rolling out the ‘Summary Schedule of Certified Welsh Government Grants’ to all unitaries. This follows successful piloting at four authorities last year. This means that there should only be a small number of claims and returns which remain to be certified in the ‘traditional’ way.
- 26 For this 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 6](#).

Overall issues identified

- 28 [Exhibit 5](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2016-17.

Exhibit 5: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2016-17
<p>One claim was qualified in 2016-17</p> <p>Housing Benefit and Authority Tax Subsidy</p> <p>A number of issues were identified, which resulted in a qualification, including:</p> <p>Rent Allowances</p> <ul style="list-style-type: none">• 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 £297.• 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 understatement in cell 113 of £3,792. <p>Rent Rebates (HRA)</p> <ul style="list-style-type: none">• Eligible Overpayments – expenditure misclassified as eligible overpayments when it should have been LA error, this led to an extrapolated overstatement in cell 67 of £4,933. <p>Rent Rebates (Non – HRA)</p> <ul style="list-style-type: none">• Expenditure up to the lower of one bedroom self-contained LHA Rate and upper limit – the expenditure was not correctly capped at the LHA rate. This led to an extrapolated overstatement in cell 12 of £16. <p>An amendment was also made to the claim as Overpaid (Non-HRA) Rent Rebates had been incorrectly classified as eligible overpayments instead of technical overpayments. 100% testing was completed which led to an adjustment of £984 to cells 27 and 28. This led to a reduction of subsidy in cell 028s of £394.</p>
Effectiveness of grant co-ordination arrangements
<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 2018 is set out in [Exhibit 6](#). This figure represents no change compared to the fee set out in the 2017 audit plan.

- 31 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a slight reduction in audit days and skill mix.

Exhibit 6: audit fee

This table outlines the proposed fee for 2018 audit work by the Wales Audit Office.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	250,000	250,000
Performance audit work ³	104,776	104,776
Total fee	354,776	354,776
Grant certification work ⁴	Scope of work to be confirmed	54,070

Notes:

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

² Payable November 2017 to October 2018.

³ Payable April 2018 to March 2019.

⁴ Payable as work is undertaken.

- 32 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 Caerphilly County Borough Council.
- 33 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

34 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
Huw Rees	Engagement Director & Engagement Lead – Performance Audit	029 2032 0599	huw.rees@audit.wales
Barrie Morris	Engagement Lead – Financial Audit	01173 57708	barrie.morris@uk.gt.com
Gail Turner - Radcliffe	Financial Audit Manager	02920 347546	gail.turner-radcliffe@uk.gt.com
Grace Hawkins	Financial Audit Team Leader	02920 347542	grace.e.hawkins@uk.gt.com
Non Jenkins	Performance Audit Manager	029 2032 0595	non.jenkins@audit.wales
Gareth Jones	Performance Audit Lead	029 2032 0548	gareth.jones@audit.wales

35 I can confirm 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

36 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 8**.

Exhibit 8: timetable

Planned output	Work undertaken	Report finalised
2018 Audit Plan	January – February 2018	March 2018
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	January to July 2018	August 2018
Performance work: <ul style="list-style-type: none"> • Improvement Plan Audit 	April 2018	May 2018

Planned output	Work undertaken	Report finalised
<ul style="list-style-type: none"> Assessment of Performance Audit Assurance and Risk Assessment 	December 2018	December 2018
<ul style="list-style-type: none"> WFG Act Examinations 	April 2018- February 2019	To inform the 2019- 2020 audit programme By end of March 2019*
<ul style="list-style-type: none"> Thematic Reviews 	June 2018- February 2019	By end of March 2019*
<ul style="list-style-type: none"> Local bespoke project- WHQS follow up 	July 2018- February 2019	By end of March 2019*
Annual Improvement Report	April 2018 – May 2018	June 2019
2019 Audit Plan	January – February 2019	March 2019

*Please note these are estimated dates. Reporting is subject to timely clearance of draft findings with Caerphilly County Borough Council.

Future developments to my audit work

- 37 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 38 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

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, 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 well-being 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 9: performance work in last year's audit outline still in progress

Four performance audit projects from last year's audit outline remain outstanding and the table provides the current progress of these projects and further detail on the scope of the projects

Performance audit project	Status	Comment
Thematic Review: Overview and Scrutiny – Fit for the Future?	Fieldwork complete	Draft report planned for issue by the end of April 2018.
Local Based risk work - Business Improvement Portfolio Board	Scoping	This project will seek to support the Business Improvement Board as a key change programme across the Council.
Service-user perspective review	Scoping	A user-focussed review. Specific area to be agreed with the Council.
Local risk based work – WHQS follow up	Scoping	This project will review the Council's progress against its commitments made in November 2017 in response to our WHQS review.

Appendix 3

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

This table summarises my 2016-17 programme of grant claim certification work

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate with no adjustments
Housing Benefit and Authority Tax Subsidy (BEN01)	30/4/17	6/7/17	Yes	Yes		Yes	
Teachers' Pension (PEN05)	30/5/17	10/5/17	No			Yes	
Free Concessionary Travel (TRA23)	30/9/17	26/9/17	No				Yes
Section 28a Annual Voucher – Wanless (HLG03)	30/9/17	18/9/17	No				Yes
Section 28a Annual Voucher – Learning and Disability (HLG03)	30/9/17	18/9/17	No				Yes
Flying Start – Capital (EYC02)	30/9/17	20/9/17	No				Yes
Flying Start – Revenue (EYC01)	30/9/17	20/9/17	No		Yes		
21st Century Schools (EDU18)	30/9/17	20/9/17	No				Yes
Families First (EYC14)	30/9/17	24/8/17	No				Yes

Communities First – Caerphilly Basin (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Upper Rhymney Valley (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Mid Valley East (RG03)	31/7/17	26/7/17	No		Yes		
Communities First – Mid Valley West (RG03)	31/7/17	26/7/17	No	Yes			
Land Drainage – Donkey’s Field (LD02)	N/a	9/8/17	No		Yes		
Land Drainage – Glenview Terrace (LD02)	N/a	9/8/17	No		Yes		
Non Domestic Rate (LA01)	26/5/17	23/5/17	No		Yes		
Local Transport Grant (TRA15)	30/9/17	28/9/17	No		Yes		
Gwent Frailty Partnership (HLG01)	28/4/17	26/4/17	No		Yes		
Total				1	1	3	14

The overall work programme in 2018 for unitaries is expected to include HB subsidy, 21st Century Schools, Non-domestic rates, Teachers Pensions, and the Summary Schedule of Welsh Government funding.

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

Appendix 4

Other future developments

Forthcoming key IFRS changes

Exhibit 11: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the authority over the next three years.

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes 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 and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	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 the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	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.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (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.

Exhibit 12: planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas

Date	Format	Topic
April 2018	Webinar	Sustainable Procurement. Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	Measuring Outcomes. Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact

Date	Format	Topic
June 2018	Seminar	Adverse Childhood Experiences. In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	Digital. Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	Building Resilient Communities. Focussing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	Partnership working between Voluntary bodies and Public Sector Bodies. Will also include the launch of the Good Practice Guide to Grants Management.
October 2018	Webinar	Financial Audit – Early Closure of Local Government Accounts. Focussing on cultural and behaviour changes.
December 2018	Seminar	Alternative Service Delivery Models. In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.
January 2019	Webinar	Cybersecurity. Focusing on governance arrangements.
February 2019	Seminar	Preventing Hospital Admissions. Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	Youth. Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

Appendix 5

National value-for-money studies

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

Exhibit 13 covers all of the value-for-money studies work currently programmed. 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. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work, follow-up work, or based on the findings of other reactive examinations.

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

Exhibit 13: national value-for-money studies

Topic	Anticipated publication (as at 11 January 2018)
Primary care services ²	February/March 2018
Access to public services with the support of specialist interpretation and translation	March/April 2018
Waste management (waste prevention) Waste management (municipal recycling) Waste management (procurement of infrastructure)	March/May 2018
Early intervention and public behaviour change ³	March/April 2018
GP out-of-hours services – national summary report	April/May 2018
Rural Development Programme 2014-2020	April/May 2018
Business finance	May 2018

² An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

³ Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

Topic	Anticipated publication (as at 11 January 2018)
NHS agency staffing costs ⁴	Summer 2018
EU Structural Funds programmes 2014-2020	Summer 2018
Improving the wellbeing of young people	Autumn 2018
Radiology services – national summary	To be confirmed
Integrated Care Fund	To be confirmed
Care experienced by children and young people ⁵	To be confirmed

⁴ Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

⁵ The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.

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