

Caerphilly County Borough Council – 2024 Audit Plan

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About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



how public
money is being
used to meet
people's needs

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



Be a model
organisation for
the public sector
in Wales and
beyond

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Introduction

I have completed some of my planning work.

This Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

In addition to my responsibilities for auditing the Council's financial statements, I 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);
- the accounts of the Blackwood Arts Centre Charity, for which the Council is the corporate trustee;
- six of the Council's grant returns that require certification; and
- certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts¹.

There have been no limitations imposed on me regarding my financial audits.

Performance audit work

I must satisfy myself that the Council:

- has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year.
- is acting in accordance with the sustainable development principle when setting and taking steps to meet their well-being objectives.

My work programme is informed by specific issues and risks facing the Council and wider local government in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This is a global

¹ Subject to the National Audit Office's confirmation of its audit threshold for 2023-24.

umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk:

- management override of the controls in place;
- the completeness and accuracy of the disclosure of non-current assets; and
- the completeness and accuracy of the related party disclosures.

Other areas of audit focus:

- valuation of the pension fund's net liability/surplus;
- valuation of land and buildings; and
- senior officer remuneration.



My performance audit will include:

- Assurance and Risk Assessment
- Thematic Review – Staffing resources/pressures in local government
- Local work – Waste and recycling follow-up. Other area of work to be confirmed but may focus on one of the following: scrutiny, equality impact assessments, procurement, or contract management.



Materiality

Materiality £7.7 million

Reporting threshold £385,000

Financial statements' materiality



Materiality £7.7 million

My aim is to identify and correct material misstatements, that is, those that might otherwise mislead the user of the accounts.

Materiality is currently calculated using:

- gross expenditure of £771.690 million, which is estimated by being based on the 2022-23 audited gross expenditure
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- the remuneration report (and associated expenditure such as exit payments), with materiality a level of £1,000 (and potentially lower if an error results in an incorrect remuneration financial-banding); and
- related party disclosures, with a materiality level of £10,000 (for related party disclosures associated with positions and interests held by members and senior officers).

Significant financial statements' risks

I have not commenced my planning work. Therefore, the matters set out in **Exhibits 1 and 2** are drawn from my past audit work, including my recent certification of the 2022-23 financial statements. Once I have completed my audit planning I will provide you with updated **Exhibits 1 and 2**.

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned 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 240.32-33].</p>	<p>I 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; • evaluate the rationale for any significant transactions outside the normal course of business; • and I may add additional procedures to address any specific risks of management override which are not addressed by the mandatory work above.
<p>My audit of the 2022-23 financial statements found a significant number of material misstatements regarding non-current assets (principally the land and buildings). We therefore currently judge there to be a significant risk of material misstatement in the non-current asset disclosures.</p>	<p>I will:</p> <ul style="list-style-type: none"> • review the improvements made for 2023-24; and • undertake testing that focuses on the key risks that arise from my planning work and review of managements actions for improvement.
<p>Related party disclosures I also audit the disclosure of related party transactions and balances to a far lower level of materiality, as set out at page 9.</p>	<p>I will verify whether all DOIs have been received for 2023-24 and I will examine the finance team's</p>

Significant risk	Our planned response
<p>In recent past audits I have identified material omissions or misstatements, which the Council has corrected. I therefore judge the 2023-2024 disclosures to be at risk of misstatement.</p>	<p>evidenced evaluation of them in preparing accounts. I will also undertake completeness checks, such as my review of Companies House records.</p>

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net liability/surplus</p> <p>The Local Government Pension Scheme fund liability (or surplus), as reflected in the financial statements, is a material estimate.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels, also have a significant impact on the liability (or surplus) at the financial year end. For example, the liability could move from a liability into a surplus position.</p>	<p>I will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary; • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures required; and • assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements. <p>Much of this work will be undertaken through the auditors of the administering council.</p>

Audit risk	Our planned response
<p>Valuation of land and buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.</p> <p>Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity, depending on the specialist and management assumptions, and changes in these can result in material changes to valuations.</p> <p>Assets are required to be revalued every five years, but values may also change year on year, and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2024, particularly in the current economic environment.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness; • evaluate the competence, capabilities and objectivity of the professional valuer; • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and • test the reconciliation between the financial ledger and the asset register.
<p>Senior Officer Remuneration</p> <p>I judge the Council's remuneration report to be material by nature, as reported on page 9. Therefore, even low value errors in the disclosures could result a material misstatement.</p> <p>There is the risk that remuneration disclosures (including any exit payments) are inaccurately disclosed.</p>	<p>I will:</p> <ul style="list-style-type: none"> • understand the movements in the senior management team during 2023-24; • ensure that remuneration disclosed is consistent with supporting evidence; and • ensure that amounts paid are consistent with those approved by the Council.

Financial statements' audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Issued
2024 Audit Plan	Summer 2024	May 2024 ²
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	To be confirmed.	To be confirmed.

² With a further update due, see comments at page 10.

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

<p>Assurance and risk assessment</p>	<p>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 and acting in accordance with the sustainable development principle.</p>	<p>Ongoing</p>
<p>Thematic review – Staffing resources/pressures in local government</p>	<p>A review of the arrangements that councils have in place to secure appropriate and cost-effective staff resources to support services.</p>	<p>Approximate timescales for the review across all councils are between October 2024 and June 2025.</p>
<p>Local project work – Waste and recycling follow-up</p>	<p>A review of the Council's progress in addressing the recommendations we made in our July 2023 Waste Management Review report.</p>	<p>Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit.</p>
<p>Local work</p>	<p>To be confirmed. Potential areas of focus may be one of the following: scrutiny, equality impact assessments, procurement or contract management. We will confirm which one in our quarterly work programme update.</p>	<p>Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit</p>

Certification of grant claims and returns

I also undertake certification work on some of the Council's grant claims. I anticipate there will be six claims that require my audit for 2023-24.

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Statutory audit functions

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.

As this work is reactive, I have made no allowance in the fee below. If I do receive questions and objections, I will discuss potential audit fees at the time.

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Fee and audit team

In January 2024, we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4%, as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be £466,050, being an increase of 6.4% compared to last year's fee estimate.

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 Section 151 Officer.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

Exhibit 5: breakdown of audit fee

Audit area	2024 Fee estimate (£) ³	2023 fee estimate (£)
Audit of financial statements ⁴	293,827	276,070 ⁵
Performance audit work ⁶	120,821	113,544
Grant certification work ⁷	47,614	44,750
Other financial audit work ⁸	3,788	3,560
Total fee	466,050	437,924

³ The fees shown in this document are exclusive of VAT, which is not charged to you.

⁴ Payable November 2023 to October 2024.

⁵ In addition, there was an additional billed cost of £29,455.

⁶ Payable April 2024 to March 2025.

⁷ Payable as work is undertaken.

⁸ This fee relates to the Blackwood Arts Centre Charity.

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

Exhibit 6: my local audit team

Name	Role	Contact details
Anthony Veale	Engagement Director	anthony.veale@audit.wales
Gary Emery	Audit Director (Performance Audit)	gary.emery@audit.wales
Mark Jones	Audit Manager (Financial Audit)	mark.jones@audit.wales
Sara-Jane Byrne	Audit Manager (Performance Audit)	sara-jane.byrne@audit.wales
Rhodri Davies	Audit Lead (Financial Audit)	rhodri.davies@audit.wales
Matthew Brushett	Audit Lead (Performance Audit)	matthew.brushett@audit.wales

I can confirm that my team members are all independent of the Council and your officers.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.






- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies, and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our Good Practice work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our newsletter which provides you with regular updates on our public service audit work, good practice, and events.
	our publications which cover our audit work completed at public bodies.
	information on our forward performance audit work programme 2023-2026 which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various data tools and infographics to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



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