

| ISLE OF ANGLESEY COUNTY COUNCIL | |
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| Report to | Governance and Audit Committee |
| Date | 27 June 2024 |
| Subject | Audit Wales - Detailed Audit Plan 2024 - Draft |
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| Nature and Reason for Reporting The Governance and Audit Committee's Terms of Reference require it to oversee the external audit arrangements, comment on the scope and depth of external audit work and ensure it gives value for money. It will consider external audit reports and will monitor their recommendations. (3.4.8.11.3) The Committee is required to consider the report and provide feedback to Audit Wales on its content. | |

1.0 INTRODUCTION

- 1.1 The report sets out the work Audit Wales intends undertaking to address the audit risks identified and other key areas of focus during 2024.
- 1.2 It also sets out the estimated audit fee, details of the audit team and key dates for delivering the audit team's activities and planned outputs.

2.0 RECOMMENDATION

- 2.1 That the Governance and Audit Committee:
 - Considers the report and provides feedback on the planned audit work and related fees for 2024.

Isle of Anglesey County Council – Detailed Audit Plan 2024

Audit year: 2023-24

Date issued: June 2024

Document reference: 4292A2024



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

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 now largely completed my planning work.

This Detailed 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](#).

In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:

- certifying a return to the Welsh Government which provides information about the Isle of Anglesey to support preparation of Whole of Government Accounts;
- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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.

There have been no limitations imposed on me in planning the scope of this audit.

Performance audit work

I must satisfy myself that the Council: 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 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

- The risk of management override of controls

Other areas of audit focus

- Valuation of pension fund net liability
- Valuation of land and buildings



My performance audit will include:

- Assurance and Risk Assessment
- Local work – Review of Cyber Security Arrangements
- Local project work – Establishing a Port Health Authority



Materiality

Materiality £2.967 million

Reporting threshold £148k (5% of materiality)



Materiality £2.967 million

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

At the planning stage, materiality is calculated using:

- 2022-23 gross expenditure of £296.7 million. Actual 2023-24 gross expenditure will be used to update our materiality calculation when available.
- 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:

- Remuneration disclosures £1,000
- Related party disclosures £10,000 (Individuals),

Significant financial statements' risks

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 |
|--|---|
| 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]. | The audit team will: <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for bias;• evaluate the rationale for any significant transactions outside the normal course of business; |

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required.

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</p> <p>The Local Government Pension scheme (LGPS) and pension fund liability as reflected in the financial statements are material estimates.</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 has a significant impact on the liability at 31 March 2023 for example, the liability was in fact a surplus, primarily due to higher interest rates.</p> <p>There are also several legal cases potentially impacting on the valuation of the net liability.</p> | <p>The audit team 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>Should the pension fund be in a net surplus position again this year the audit team will:</p> <ul style="list-style-type: none"> • understand the actuary’s process for calculating the surplus recognisable at 31 March 2023; and • consider whether the surplus is recognisable under IFRIC 14. |

| 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. |

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 | Report finalised |
|--|----------------------|------------------|
| 2024 Detailed Audit Plan | April – May 2024 | June 2024 |
| Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements | July – November 2024 | November 2024 |

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

| | | |
|---|--|--|
| 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 and acting in accordance with the sustainable development principle. | Ongoing |
| Local project work – Review of Cyber Security Arrangements | A review of the arrangements that the Council's has in place to provide cyber security. | Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit. |
| Local project work – Establishing a Port Health Authority | A review of the arrangements that the Council's has in place to establish a port health authority. | Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit. |

Certification of grant claims and returns

I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers' Pensions, NDR and pooled budget returns.

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.

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 £433,800.

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 Director of Function - Resources.

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 | Proposed fee for 2024 (£) ¹ | Estimated fee for 2023 (£) |
|--|--|----------------------------|
| Audit of financial statements ² | 243,319 | 199,087 |
| Performance audit work ³ | 115,481 | 103,908 |
| • Grant certification work ⁴ | 70,000-80,000 | 65,000-75,000 |
| • Total fee | 433,800 | 372,995 |

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2023 to October 2024.

³ Payable April 2024 to March 2025.

⁴ Payable as work is undertaken.

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 |
|----------------|--|--|
| Derwyn Owen | Engagement Director/Audit Director (Financial Audit) | derwyn.owen@audit.wales |
| Gary Emery | Engagement Director/Audit Director (Performance Audit) | gary.emery@audit.wales |
| Rachel Freitag | Audit Manager (Financial Audit) | rachel.freitag@audit.wales |
| Carwyn Rees | Audit Manager (Performance Audit) | carwyn.rees@audit.wales |
| David Tomalin | Audit Lead (Financial Audit) | david.tomalin@audit.wales |
| Alan Hughes | Audit Lead (Performance Audit) | alan.hughes@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:

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|  | 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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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.