



2015 Audit Plan

Denbighshire County Council

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2015 Audit Plan

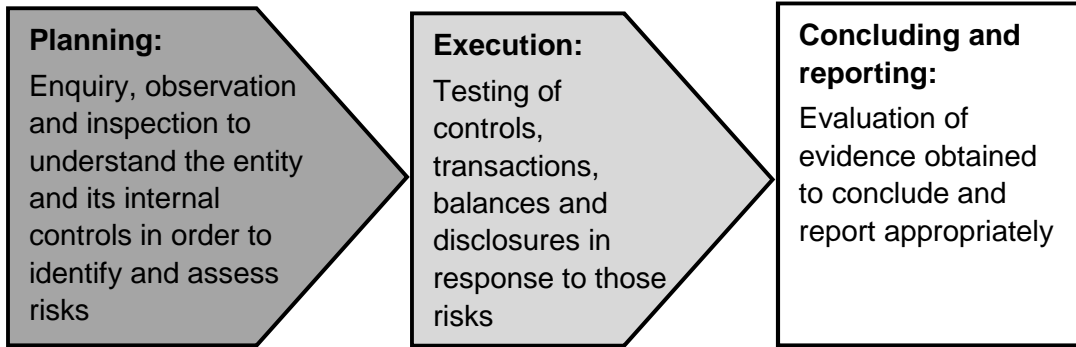
Summary

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), 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 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](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements for the year ended 31 March 2015 which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Denbighshire County 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



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

Financial audit risk	Proposed audit 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 240.31-33].	My 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 biases; • evaluate the rationale for any significant transactions outside the normal course of business; and • test the posting of transactions to the general ledger before and after the year-end to ensure that income and expenditure are correctly recorded in the appropriate year of account.
Risk of material misstatement in the financial statements arising from the revaluation of assets.	We will assess the revaluation ensuring that the revaluation has been conducted in line with accounting policies and that it has been, in material respects, accurately reflected in the financial statements.
I have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties, Remuneration note and Members' Allowances.	We will review: <ul style="list-style-type: none"> • the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information.

Financial audit risk	Proposed audit response
Significant transactions and transactions which involve accounting estimates.	<p>We will continue to hold discussions with the Council to assess whether any significant transactions have been incurred during the financial audit year and design appropriate audit responses to assess any risks.</p> <p>We will review documentation held to support estimates derived and judgements made, and refer to papers provided in support of them.</p>
As part of my 2013-14 audit work, I identified instances where income and expenditure were double counted within the Consolidated Income and Expenditure Account.	We will review the updated arrangements in respect of internal recharges and design appropriate audit procedures to ensure that internal recharges are correctly accounted for.
Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.	<p>On receipt of the 2014-15 draft financial statements in June 2015, we will undertake a review of the statements and update our risk assessment accordingly. We will design audit testing programmes to focus our work on material balances and transactions and any additional financial statement risks that arise following our review of the draft financial statements.</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. 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 Corporate Governance Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- My fees for my financial audit work are set out in **Exhibit 6**. 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;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

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12. 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 the Council to support the preparation of Whole of Government Accounts.

Certification of grant claims and returns

13. I have been requested to undertake certification work on the Council's grant claims and returns. In 2014-15, I expect to audit between 15 and 20 claims, a number of which are complex, namely the Housing Benefits Subsidy claim and the Housing Revenue Account Subsidy claim.
14. An estimate of my audit fee is set out in [Exhibit 6](#).

Overall issues identified

15. [Exhibit 3](#) summarises the key issues I identified when undertaking grant certification work in 2013-14.

Exhibit 3: Overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2013-14

In 2013-14, we audited 18 claims and returns of which three were qualified. The key issue resulting in qualifications was that the claim forms were not completed in accordance with grant claim instructions.

Effectiveness of grant co-ordination arrangements

Whilst there is no central grant co-ordination arrangement within the Council, the delegated arrangements for the preparation and certification of claims and returns are generally well managed and working effectively.

Issues related to specific grant claims and returns

16. In addition to the overall issues identified above, I will issue a separate report, 'Certification of Grants and Returns 2013-14' in April 2015, which will set out the key issues I have identified relating to individual grant claims and returns.

Other work undertaken

17. I am also responsible for the audit of the Joint Committee in respect of the Area of Outstanding Natural Beauty (AONB). The Council is the lead authority. Our fee for this work has been included within [Exhibit 6](#).

Performance audit

- 18.** I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 19.** I am also required under the Measure to undertake a corporate assessment at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.
- 20.** I set out in this section the 12-month programme of performance audit work to be undertaken at the Council. The content of the programme has been determined by a consideration of the risks and challenges facing the Council, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including the Council's own mechanisms for review and evaluation.
- 21.** The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



22. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p>‘Improvement plan’ audit Audit of discharge of duty to publish an improvement plan.</p> <p>‘Assessment of performance’ audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on the reserves position, policy and use of reserves.</p> <p>Governance review Review of scrutiny arrangements with focus on work of scrutiny in monitoring impact of budget cuts.</p> <p>Performance management review Study across North Wales on benchmarking social services costs against performance. This will include CSSIW involvement.</p> <p>Locally determined review(s)</p> <ul style="list-style-type: none"> • review of the Council’s approach to alternative service providers; and • continuation of attendance at annual Service Challenge Reviews.

Specific projects	
Follow-up work	<p>I will maintain a focus on assessing the progress that has been made in implementing recommendations from my previous work. As part of this work, I will seek assurance that the Council has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee.</p> <p>I intend to undertake specific follow-up work on:</p> <ul style="list-style-type: none"> • Human Resources • Affordable Housing • Economy and Regeneration
Local government studies	To be confirmed.
Good practice	In line with my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.

23. 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](#).

Fee, audit team and timetable

Fee

24. Your estimated fee for 2015 is set out in [Exhibit 6](#). There has been no change to our audit fee this year for both the financial audit work and performance audit work. However, we have included an additional fee for our work in respect of the joint committee.

Exhibit 6: Audit fee

Audit area	Proposed fee (£)	Actual fee last year (£)
Financial audit work¹	£178,264	£178,264
Performance audit work:²		
• Improvement audit and assessment work and follow-up	£93,882	£93,882
Performance audit work total	£93,882	£93,882
Total fee	£272,146	£272,146
Grant certification work³	£75,000 to £80,000	£89,658
Other financial audit work⁴	£1,134	Nil

Notes:

¹ Payable November 2014 to October 2015.

² Payable April 2015 to March 2016.

³ Payable as work is undertaken.

⁴ Payable November 2014 to October 2015 (audit work in respect of the AONB Joint Committee).

25. 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.
26. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

27. 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
Derwyn Owen	Engagement Lead – Financial Audit	02920 320 500	Derwyn.Owen@wao.gov.uk
Jane Holownia	Engagement Lead – Performance Audit	02920 320500	Jane.Holownia@wao.gov.uk
Anthony Veale	Financial Audit Manager	02920 320500	Anthony.veale@wao.gov.uk
Gareth Evans	Financial Audit Team Leader	02920 320500	Gareth.Evans@wao.gov.uk
Huw Lloyd Jones	Performance Audit Manager	07813 822017	Huw.LloydJones@wao.gov.uk
Gwilym Bury	Performance Audit Lead	02920 320500	Gwilym.Bury@wao.gov.uk

28. I can confirm that my team members are all independent of the 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

29. I will provide reports, or other outputs as agreed, to the 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
2015 Audit Plan	January 2014 to February 2015	March 2015
Financial accounts work: <ul style="list-style-type: none">Audit of Financial Statements ReportOpinion on Financial Statements	February to September 2015	September 2015 September 2015
Performance work	April to December 2015	April to December 2015

Planned output	Work undertaken	Report finalised
Annual Improvement Report	April to December 2015	March 2016
2016 Audit Plan	October to December 2015	February 2016

** Subject to timely clearance of draft findings with the Council.*

Appendix 1

Respective responsibilities

Financial audit

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 include 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 the 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;
- the 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 the 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

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- 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 the 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 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. The Auditor General 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.

Appendix 2

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

Performance audit project	Status
Local Government Study: <ul style="list-style-type: none">• Joined up working to address Health and Social Care demand – Independence of Older People.	Fieldwork started but not yet completed at all sites.
Local Government Study: <ul style="list-style-type: none">• Delivering with Less. Leisure Services	Fieldwork started but not yet completed at all sites.

Appendix 3

National value-for-money studies

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

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. 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. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

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

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ¹	To be confirmed
Wales Life Sciences Investment Fund ²	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

¹ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ³	To be confirmed
Welsh Government interventions in local government ⁴	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

³ In the short term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁴ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales and to take into account any wider implications arising from the local government reform programme.

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