



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2020 Audit Plan – Denbighshire County Council

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This document is also available in Welsh.

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# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

### Audit of financial statements

- 2 Each year we audit the Denbighshire County Council's (the Council) financial statements to make sure that public money is being properly accounted for.

### Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

### Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

### Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

## Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
  - we anticipate giving an opinion on the Council's financial statements in advance of the statutory deadline of 15 September 2020.
  - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we 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);
  - auditing the Area of Outstanding Natural Beauty Joint Committee annual return by 15 September 2020;
  - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.

- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 10 The following table sets out the significant risks I have identified for the audit of the Council.

### Exhibit 1: financial statement audit risks

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

Audit risk	Proposed audit response
<b>Significant risks</b>	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>review accounting estimates for biases; and</li> <li>evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>McCloud judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government pension scheme.</p>
<p><b>Significant estimates</b></p> <p>The preparation of the financial statement will involve a number of significant estimates, such as the valuation of the</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>review the annual assessment made by officers of the basis on which</li> </ul>

Audit risk	Proposed audit response
employee benefits under International Accounting Standard 19.	estimates are made and revised in line with the latest information; <ul style="list-style-type: none"> <li>• evaluate the competence, capabilities and objectivity of the experts engaged by the Council to provide the estimates and evaluate the work carried out by the expert; and</li> <li>• review other documentation held to support estimates and assess the appropriateness of the Council's judgements made in determining the estimates.</li> </ul>
<b>Revaluation of Property, Plant &amp; Equipment</b> Our audit of the Council's 2018-19 Financial Statements identified a number of errors related to the accounting treatment applied to the revaluation of assets.	We will design audit tests to ensure that the revaluation exercise has been undertaken appropriately and the required revaluations are correctly accounted for in the 2019-20 financial statements.
<b>IFRS 16 Leases</b> – the introduction of the new standard in 2020-21 may pose implementation risks.	My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.

## Performance audit

11 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

### Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

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) examination	A project common to all local councils that will focus on the theme of 'prevention'.
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.

Performance audit programme	Brief description
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
North Wales Review of Residential and Nursing Home Commissioning	We will conduct a regional review of residential and nursing care commissioning with a focus on forecast demand and capacity planning
Environmental resilience	This project will focus on the Council's arrangements to support delivery of its commitment to environmental resilience

## Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns. A total of 9 claims and returns were audited in 2018-19, although, based on our current understanding, we anticipate auditing fewer claims and returns in 2019-20.

## Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - 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;
  - 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;
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
  - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2019, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 5% decrease compared to your actual 2019 fee.

### Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	178,234	178,234
Performance audit work <sup>3</sup>	95,270	94,084
Grant certification work <sup>4</sup>	35,000 to 40,000	59,107
Clwydian Range and Dee Valley AONB <sup>5</sup>	1,134	1,134
Total fee	314,638	332,559

- 16 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.
- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

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<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021.

<sup>4</sup> Payable as work is undertaken. The reduction in the proposed fee range reflects auditing fewer claims and returns in 2019-20.

<sup>5</sup> Area of Outstanding Natural Beauty Joint Committee - payable as work is undertaken and subject to the level of testing required.



## Audit team

- 18 The main members of my team, together with their contact details, are summarised in Exhibit 5.

### Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director Engagement Lead – Financial Audit	02920 320566	<a href="mailto:derwyn.owen@audit.wales">derwyn.owen@audit.wales</a>
Huw Rees	Engagement Lead – Performance Audit	02920 320599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Matthew Edwards	Audit Manager (Financial Audit)	07837 385420	<a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a>
David Williams	Audit Lead (Financial Audit)	07812 670234	<a href="mailto:david.williams@audit.wales">david.williams@audit.wales</a>
Jeremy Evans	Audit Manager (Performance Audit)	07825 052861	<a href="mailto:jeremy.evans@audit.wales">jeremy.evans@audit.wales</a>
David Wilson	Audit Lead (Performance Audit)	07580 823691	<a href="mailto:david.wilson@audit.wales">david.wilson@audit.wales</a>

- 19 I can confirm that, except as set out in paragraph 20, there are no known threats to the independence of the Appointed Auditor or other audit staff and I have complied with the Wales Audit Office rotation policy.
- 20 The only known threats that we need to bring to your attention relate to Matthew Edwards, the Audit Manager (Financial Audit). A member of Financial Audit Manager's family is employed as a teacher by the Council. As a result, he will not be involved in any work at that school and his involvement in any other audit work in relation to education will only be permitted following a risk assessment.

## Timetable

- 21 Financial accounts work will be undertaken over the period February to September 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.

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