

## REPORT OF AUDIT WALES

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**SUBJECT:**  
**AUDIT WALES AUDIT PLAN 2021**

### Summary

To receive the Audit Plan for 2021 from the Audit Wales.

### Introduction

In accordance with the requirements of the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, the Local Government Act 1999, and the Code of Audit Practice, the Authority is audited by Audit Wales. The main aim of this process is to:

- examine and certify whether our financial statements are 'true and fair';
- assess whether we have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
- audit and assess whether we have discharged duties and met requirements of the Local Government Measure; and
- undertake studies to enable the Auditor General for Wales to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

The programme of work for the next year is outlined in the Audit Wales Audit Plan 2021, which is included as Annex A. Officers of Audit Wales will attend either meetings of the National Park Authority or the Audit and Corporate Services Review Committee to report on progress.

### Financial Considerations

The Authority pays a fee for the Audit work. Over a number of years the Authority along with the other two National Park Authorities have argued that this fee is too high.

### Risk Considerations

The work undertaken by the Audit Wales can contribute to managing risk and providing assurance for the work of the Authority.

### Compliance

The work undertaken by the Audit Wales as part of this plan is part of our compliance framework.

Human Rights/Equality issues

There are no specific implications.

Biodiversity implications/Sustainability appraisal

There are no specific implications

Welsh Language considerations

There are no specific implications

Conclusion

Members are asked to Note the Audit Plan.

**RECOMMENDATION:**

**Members are asked to Receive and Note the Audit Plan 2021**

Background documents

*(For further information, please contact Richard Griffiths, extension 4815 or at Richardg@pembrokeshirecoast.org.uk)*

## 2021 Audit Plan – Pembrokeshire Coast National Park Authority

Audit year: 2020-21

Date issued: 27 April 2021

Document reference:

This document has been prepared as part of work performed in accordance with statutory functions.

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This document is also available in Welsh.

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# 2021 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## My duties

- 2 I complete work each year to meet the following duties.

## Audit of financial statements

- 3 Each year I audit the Pembrokeshire Coast National Park Authority's (the Authority) financial statements to make sure that public money is being properly accounted for.

## Value for money

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

## Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Authority has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Authority is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22, I will still be required to audit the Authority's published assessment of its performance that covers the 2020-21 year.

## Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Impact of COVID-19

- 7 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 8 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 9 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 10 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the authority as the 2021 position becomes clearer.

## Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements. This includes:
  - an opinion on the on the 'truth and fairness' of the Authority's financial statements for the financial year ended 31 March 2021; and
  - an assessment as to whether the Authority's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Authority.
- 12 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 [Audit and Corporate Services Review Committee](#) prior to completion of the audit.

- 13 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 14 There have been no limitations imposed on me in planning the scope of this audit.
- 15 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

## Audit of financial statements risks

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

### 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>	
<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"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to</p>



<p>that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>identify areas where there may be gaps in arrangements.</p>
<p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit.</p> <p>The Welsh Government has made available additional funding to the authority. The amounts involved are potentially material to the accounts. There is a risk that these additional funds may not be appropriately accounted for in the year end financial statements.</p> <p>In addition, we have identified potential issues around:</p> <ul style="list-style-type: none"> <li>• year-end valuation uncertainty</li> <li>• estimation of accrued annual leave provisions</li> </ul>	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the authority.</p> <p>As part of our review of the Authority's assets we will review valuation reports provided by the Authority's valuer and will consider in detail any year end provisions</p>
<p><b>Other audit issues</b></p>	
<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' arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The final remedy is expected to be published during 2021.</p>	<p>My audit team will review the provision previously made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG/Police/Firefighters pension schemes.</p>

<p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	
<p><b>Use of estimates</b> Due to the planned earlier completion of accounts than in 2019-20 and the ongoing COVID 19 restrictions the authority may be required to use more estimations in its accounts than in previous years.</p>	<p>Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage</p>

## Other matters

- 17 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

### Exhibit 2: Other matters

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

Other matters	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The authority will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>
<p>The Local Government and Elections Act 2021 includes in its provisions, the establishment of a South West Wales Corporate Joint Committee (the CJC) to deliver services currently provided by the Authority.</p>	<p>My team will undertake an early review of the impact of the CJC on the Authority and the preparations the Authority is making for any accounting arrangements required in relation to the CJC.</p>

## Performance audit

- 18 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 19 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 20 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 21 Given the high degree of commonality in the risks facing authorities at this time I also intend to deliver a number of thematic projects examining risks common to all authorities.
- 22 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Wellbeing of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 23 In my consultation I have set out and sought views on proposals to:
- a) continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
  - b) integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
  - c) strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 24 I have written to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.
- 25 In view of the above factors I intend to retain a high degree of flexibility in my local performance audit programme at Authority and will continue to update the Authority as the audit programme changes.
- 26 For 2020-21 this work is set out below.

### Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assessment in line with the expectations of the Welsh Government remit for National Park Authorities and 'Valued and Resilient'	Further details to follow

## Statutory audit functions

- 27 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.
- 28 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 29 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, 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; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

30 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

31 Your estimated fee for 2021 is set out in **Exhibit 5**. This represents a 2% decrease compared to the 2020 fee. This reduction arises from the merging of the Engagement Lead and Audit Manager roles. Please note that this proposed fee currently remains subject to final moderation by the Auditor General.

### Exhibit 5: audit fee

This table sets out the proposed audit fee for 2021, 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>	23,950	24,696
Performance audit work <sup>3</sup>	17,084	17,100
Total fee	41,043	41,780

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 Authority.

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

<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 2020 to October 2021.

<sup>3</sup> Payable April 2021 to March 2022.

## Audit team

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

### Exhibit 6: my audit team

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

Name	Role	Contact number	E-mail address
Deryck Evans	Audit Manager / Engagement Lead (Financial Audit)	02920 320559 07780 554874	Deryck.Evans@audit.wales
Julie Owens	Audit Lead (Financial Audit)	02920 829392	Julie.Owens@audit.wales
Nick Selwyn	Audit Manager (Performance Audit)	02920 320612	<a href="mailto:nick.selwyn@audit.wales">nick.selwyn@audit.wales</a>
Matt Brushett	Senior Auditor (Performance Audit)	02920 320528	<a href="mailto:Matthew.Brushett@audit.wales">Matthew.Brushett@audit.wales</a>

## Timetable

- 35 The key milestones for the work set out in this plan are shown in **Exhibit 7**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 36 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act. The current COVID restrictions may impose restrictions on the Authority's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

**Exhibit 7: Audit timetable**

<b>Planned output</b>	<b>Work undertaken</b>	<b>Report finalised</b>
2021 Audit Plan	April 2021	April 2021
<b>Audit of Financial statements work:</b> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> </ul>	Mar – Jul 2021	Jul 2021
<b>Performance audit work:</b> <ul style="list-style-type: none"> <li>• Annual Audit Summary</li> <li>• Well-being of Future Generations</li> <li>• 'Valued and Resilient' review</li> </ul>	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
<b>Annual Audit Summary</b>	N/A	Winter 2021
2022 Audit Plan	Nov 2021 – Mar 2022	Mar 2022

37 I can confirm that my team members are all independent of Authority and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500  
Fax: 029 2032 0600  
Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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