

**REPORT OF WALES AUDIT OFFICE**

---

**SUBJECT:**  
**WALES AUDIT OFFICE AUDIT PLAN 2015/16**

Introduction:

To receive the audit plan for 2015/16 from the Wales Audit Office

**RECOMMENDATION: To note the Audit Plan 2015/16**

Background documents

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





## 2015 Audit Plan

# Pembrokeshire Coast National Park Authority

**Audit year:** 2014-15

**Issued:** March 2015

**Document reference:** 243A2015

# Status of document

---

This document has been prepared for the internal use of Pembrokeshire Coast National Park Authority as part of work performed/to be performed in accordance with statutory functions.

No responsibility is taken by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

# Contents

---

---

## 2015 Audit Plan

Summary	4
Financial audit	4
Certification of grant claims and returns	6
Performance audit	6
Fee, audit team and timetable	8

## Appendices

Respective responsibilities	11
Performance work in last year's audit outline still in progress	14
National value-for-money studies	15

# 2015 Audit Plan

---

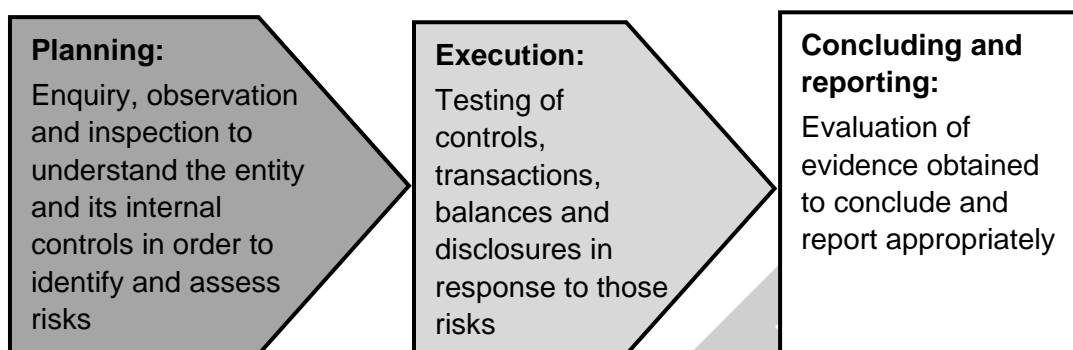
## Summary

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 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. There have been no limitations imposed on me in planning the scope of this audit.
3. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Financial audit

4. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
5. I also consider whether or not Pembrokeshire Coast National Park Authority (the Authority) 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.
6. [Appendix 1](#) sets out my responsibilities in full.
7. 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



8. 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
<p><b>Management override</b></p> <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.</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; and</li> <li>evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Revenue recognition</b></p> <p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk.</p>	<p>My audit team will review the sources of income, particularly cash. Where appropriate, they will review and document the systems of control and undertake substantive testing of a sample of such income transactions</p>
<p><b>Internal Audit</b></p> <p>Internal Audit is a key element of the control environment of the Authority which I need to review as part of the overall governance arrangements and also to ensure the quality of work, where I may seek to place reliance on it.</p>	<p>My audit team will review Internal Audit's compliance with the Public Sector Internal Audit Standards, linking as necessary with Wales Audit Office colleagues in Pembrokeshire County Council.</p>
<p><b>Disclosures that are material by nature</b></p> <p>I have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties</p>	<p>My audit team will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p>

---

Financial audit risk	Proposed audit response
and the Remuneration note.	

9. 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 Committee prior to completion of the audit.
10. 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.
11. 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;
  - 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.

## Certification of grant claims and returns

12. I have not been requested to undertake certification work on the Authority's grant claims and returns. However, if requested to carry out any such work, an additional audit fee will need to be discussed and agreed for this work.

## Performance audit

13. 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.
14. In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local



---

performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

15. I set out in this section the 12-month programme of performance audit work to be undertaken at the Authority. The content of the programme has been determined by a consideration of the risks and challenges facing the Authority, 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 Authority's own mechanisms for review and evaluation.
16. 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](http://www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016)).

Exhibit 4: Components of my performance audit work



17. 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
<b>Improvement audit and assessment</b>	<p><b>‘Improvement plan’ audit</b> Audit of discharge of duty to publish an improvement plan.</p> <p><b>‘Assessment of performance’ audit</b> Audit of discharge of duty to publish an assessment of performance.</p> <p><b>Financial management review</b> 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 reserves position, policy and use of reserves.</p>
<b>Follow-up work</b>	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 Authority has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee.
<b>Local government studies</b>	<p><b>The strategic approach to income generation and charging for services</b> Under the theme of delivering with less, this study will involve an audit of authorities’ strategic approach to charging; the approval process for setting and reviewing charging within an authority, and the impact of charging on services and service users..</p>
<b>Good practice</b>	In line with the 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.

18. 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 3](#).

## Fee, audit team and timetable

### Fee

19. Your estimated fee for 2015 is set out in [Exhibit 6](#). The figure for financial audit has been held at the prior year fee set out in the 2014 Annual Audit Outline. The fee for performance audit has also remained unchanged.

## Exhibit 6: Audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
<b>Financial audit work</b>	£34,292	£34,292
<b>Performance audit work:<sup>1</sup></b>		
• Improvement audit and assessment work and follow-up	£17,004	£17,004
• The strategic approach to income generation and charging for services	£0	£0
<b>Performance audit work total</b>	£17,004	£17,004
WPI Grant	(£7,500)	(£7,500)
<b>Total fee</b>	<b>£43,796</b>	<b>£43,796</b>

Notes:

<sup>1</sup> Funded by Welsh Consolidated Fund.

20. 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 officers.
21. 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](http://www.wao.gov.uk/about-us/fee-scales-and-fee-setting).

## Audit team

22. 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
Richard Harries	Engagement Director and Engagement Lead – Financial Audit	02920 320640	<a href="mailto:Richard.Harries@wao.gov.uk">Richard.Harries@wao.gov.uk</a>
Alan Morris	Engagement Lead – Performance Audit	02920 320500	<a href="mailto:Alan.Morris@wao.gov.uk">Alan.Morris@wao.gov.uk</a>
Terry Lewis	Financial Audit Manager	02920 320641	<a href="mailto:Terry.Lewis@wao.gov.uk">Terry.Lewis@wao.gov.uk</a>
John Llewellyn	Financial Audit Team Leader	02920 320500	<a href="mailto:John.Llewellyn@wao.gov.uk">John.Llewellyn@wao.gov.uk</a>

<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Name	Role	Contact number	E-mail address
John Roberts	Performance Audit Manager	07818 427488	<a href="mailto:John.Roberts@wao.gov.uk">John.Roberts@wao.gov.uk</a>

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

## Timetable

24. I will provide reports, or other outputs as agreed, to the Authority 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	November 2014 – January 2015	April 2015
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> <li>Financial Accounts Memorandum</li> </ul>	February – September 2015	September 2015 September 2015 October 2015
<b>Performance work:</b> <ul style="list-style-type: none"> <li>Income generation and charging</li> </ul>	May to August 2015	September 2015
Annual Improvement Report	April 2015 – February 2016	May 2016
2016 Audit Plan	October – December 2015	January 2016

*\* Subject to timely clearance of draft findings with the Authority.*

# 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 includes 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 Pembrokeshire Coast National Park Authority (the Authority) 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 Authority'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 Authority'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

- 
- 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 Authority 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. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

To discharge the requirements of the Measure, I undertake periodic corporate assessments 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.

I may also, in some circumstances, carry out special inspections (under section 21), in respect of which I will provide a report to the relevant authorities and Ministers, and which I may publish (under section 22). I will summarise audit and assessment reports in my

---

published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

DRAFT

## Appendix 2

---

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

Performance audit project	Status	Comment
Delivering with Less (Planning Services)	Drafting report	Final report anticipated May 2015
Annual Improvement work	Drafting report	Final report anticipated May 2015

DRAFT



# Appendix 3

---

## National value-for-money studies

The Authority 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 <sup>2</sup>	To be confirmed
Wales Life Sciences Investment Fund <sup>3</sup>	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

---

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

<sup>3</sup> 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 <sup>4</sup>	To be confirmed
Welsh Government interventions in local government <sup>5</sup>	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

DRAFT

---

<sup>4</sup> 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.

<sup>5</sup> Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention and to take into account any wider implications arising from the local government reform programme.



Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Website: [www.wao.gov.uk](http://www.wao.gov.uk)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Gwefan: [www.wao.gov.uk](http://www.wao.gov.uk)