

2021 Audit Plan – Cwm Taf Morgannwg NHS General Charitable Fund

Audit year: 2020-21

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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.

Impact of COVID-19

- 2 The COVID-19 pandemic continues to have an unprecedented impact on the United Kingdom and the work of public sector organisations. Audit Wales staff will continue to work pragmatically to deliver the audit work set out in this plan. In response to government advice and subsequent restrictions, I will continue to work remotely 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.
- 3 This audit plan sets out an initial timetable for the completion of my audit work. However, given the ongoing uncertainties around the impact of COVID-19 on the sector, some timings may need to be revisited.

Audit of financial statements

- 4 I am required to issue a report on Cwm Taf Morgannwg NHS Charitable Fund's (the Charitable Fund's) 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;
 - comply with all relevant requirements for accounting presentation and disclosure; and
 - the consistency of information in the Trustee's Annual Report with the financial statements.
- 5 I will also report by exception on a number of matters which are set out in more detail in my Statement of Responsibilities, along with further information about my work.
- 6 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 misstatements that might result in a reader of the accounts being misled.
- 7 Prior to the completion of my audit, I will report to trustee members (deemed to be 'those charged with governance') the financial levels at which I judge

misstatements to be material. I judge any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance, and therefore I will not report them.

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

Audit of financial statement risks

9 Most of my audit planning is scheduled for the autumn. The following table therefore sets out the significant risks that I have currently identified.

Exhibit 1: audit of financial statement risks

Financial audit risks	Proposed audit response
Significant risks	
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>I will:</p> <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; and • evaluate the rationale for any significant transactions outside the normal course of business.
The COVID-19 national emergency continues and the pressures on staff resources and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.	I will discuss the closedown process and quality monitoring arrangements with the accounts-preparation team and thereafter I will liaise with the team regarding its progress.

Financial audit risks	Proposed audit response
Other areas of audit attention	
There is a risk that related party disclosures may be incomplete.	<p>I will:</p> <ul style="list-style-type: none"> • make enquiries of management to understand the process in place for identifying related party transactions; and • review completed related party declaration forms for evidence of any potential related parties.

Fee, audit team and timetable

- 10 My audit fee and the planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided to the agreed timescales, to the quality expected and have been subject to a sound quality-assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document¹;
 - appropriate facilities and access to documents are provided to enable my team to deliver my 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 Accounting 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.

Fee

- 11 My fee estimate for the audit of the Charitable Fund's 2020-21 annual report and financial statements is £25,000.
- 12 My Engagement Director wrote to the Health Board on 8 March 2021, explaining that from 2021 we would be separately reporting and charging the audit fee relating

¹ The agreed audit deliverables documents set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

to the Charitable Fund. The fee had previously been included within the Health Board's main audit fee. The Engagement Director's letter is in **Appendix 1**.

- 13 Planning will be ongoing, and changes to our programme of audit work, and therefore the fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.
- 14 Further information on my fee scales and fee setting can be found on our website.

Audit team

- 15 The main members of the audit team, together with their contact details, are summarised in **Exhibit 2**.

Exhibit 2: my local audit team

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Lead	02920 320585	anthony.veale@audit.wales
Mark Jones	Audit Manager	02920 320631	mark.jones@audit.wales
Steve Stark	Audit Lead	02920 320500	steve.stark@audit.wales

- 16 I can confirm that team members are all independent of you and your officers.

Timetable

- 17 The key milestones for the work set out in this plan are shown in **Exhibit 5**. As highlighted earlier, there may be a need to revise the timetable in light of any adverse developments with COVID-19.

Exhibit 3: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	July 2021	July 2021
Audit of Financial Statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	To be confirmed	January 2022
2022 Audit Plan	July 2022	July 2022

Appendix 1

My estimated audit fee

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Reference: PA310/ DT/hcj

Date issued: 8 March 2021

Dear Steve

Audit fee outturn for the past year and the fee estimate for the year ahead

At February's meeting of the Audit and Assurance Committee, I explained that our 2021-22 Fee Scheme was due to be considered by the Senedd's Finance Committee, later that month. The Finance Committee duly considered and approved the Fee Scheme, which you can now access on our [website](#). You will note that the approved fee rates are unchanged from last year.

As intended, I can now provide you with an update on our outturn for the past year and our fee estimate for 2021. The figures are exhibited on page 2. In summary, our 2021 fee estimate is £41,000 (10.2%) higher than last year's fee estimate; and £7,000 (1.5%) lower than last year's actual fee.

As confirmed with you recently, and exhibited below, for 2020 the actual fee is £48,000 higher than the 2020 fee estimate. This additional cost mainly arose due to the requirement for a 'full' audit of the Charitable Fund². The other reason is the additional cost of our extended testing of the Health Board's current liabilities. This ongoing testing has also resulted in an increase to our 2021 financial-audit fee estimate.

You will note from the exhibit that going forward we will be providing separate fee estimates for our financial audit work on the Health Board's accounts³ and its Charitable Fund. Mark Jones discussed this change with Mark Thomas last month. I will of course be communicating the Charitable Fund fee to the trustee independent members (those charged with governance) in due course.

The overall performance audit fee for 2021 remains the same as the previous year and all fees shown are exclusive of VAT, which is not charged to you. Our planning is ongoing and changes to our programme of audit work, and therefore the fee, may be required if any new risks emerge. I shall make no changes to this year's fee estimate without first discussing them with you.

Exhibit 4: audit fee

Audit area	Fee estimate for 2021 (£)	Fee estimate for 2020 (£)	Actual fee for 2020 (£)
Financial audit work			
• Health Board	251,000	235,000 ⁴	283,000
• Charitable Fund	25,000	0	0
Financial audit total	276,000	235,000	283,000
Performance audit work:			
• Structured Assessment	63,807	60,567	60,567
• All-Wales thematic reviews	73,894	73,894	73,894
• Local projects	29,158	32,398	32,398
Performance audit total	166,859	166,859	166,859
Total fee	442,859	401,859	449,859

² The transfer of Bridgend County Borough on 1 April 2019 increased the Charitable Fund's financial value above the Charity Commission's threshold for a 'full' substantive audit.

³ The audit of the Performance Report, Accountability Report and Financial Statements.

⁴ The 2020 audit fee includes the cost of the audit of the Charitable Fund. Within this fee the Health Board had billed the Charitable fund £2,340.

I intend to present this letter to the Audit and Assurance Committee on 13 April. In the meantime, please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dave Thomas', written in a cursive style.

Dave Thomas
Engagement Director

Appendix 2

Other future developments

Future changes to UK GAAP: applicable to charitable funds accounts

Following the introduction of the new UK GAAP accounting regime in 2015-16, and the replacement of the Financial Reporting Standard for Smaller Entities (FRSSE) by Section 1A of FRS 102 in 2016-17, there were only limited changes to FRS 102 in 2019-20.

More significant amendments are expected from 2022-23, reflecting recent changes in International Financial Reporting Standards, including accounting for financial instruments and leases.



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telephone calls in Welsh and English.
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