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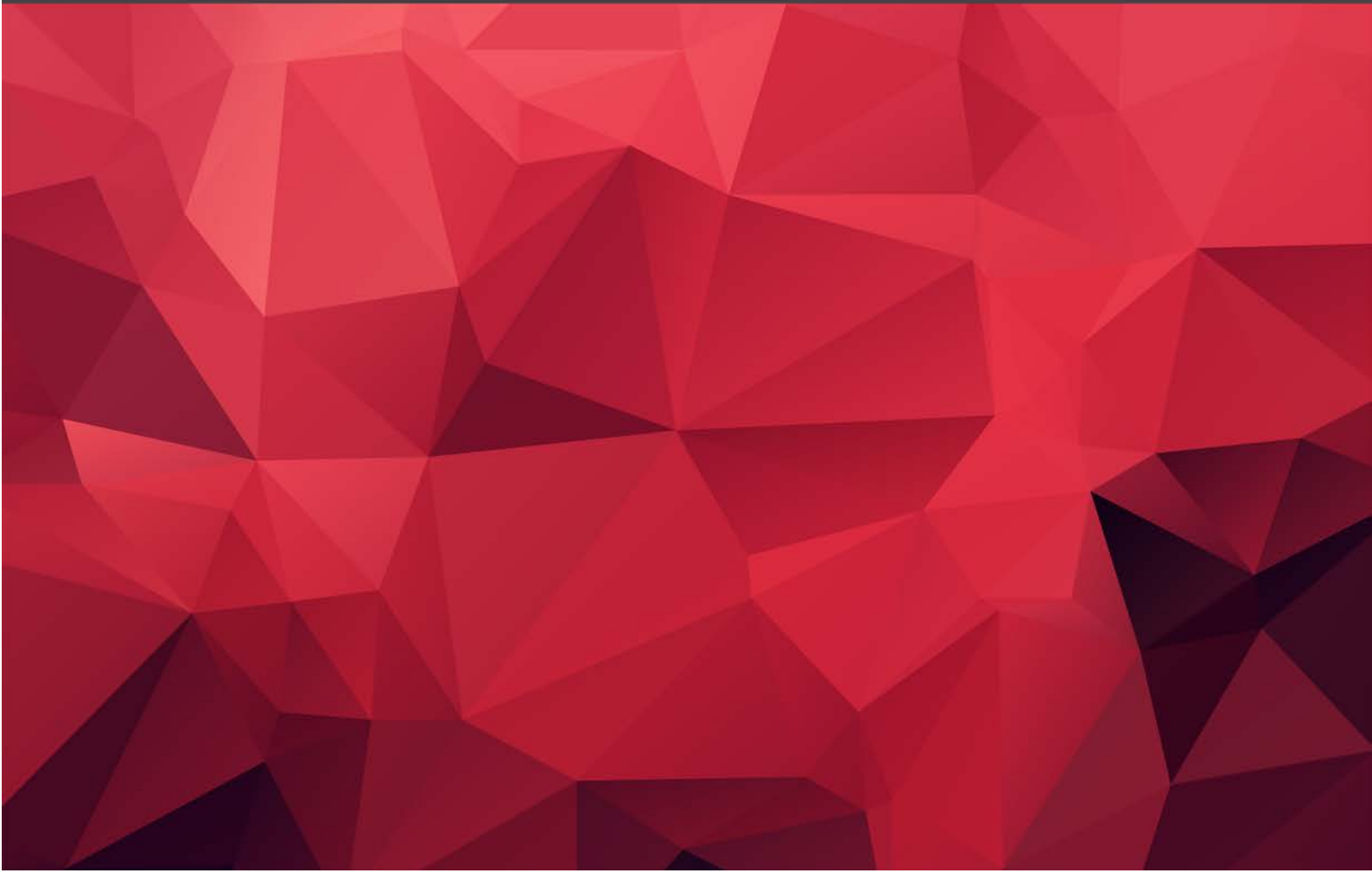
Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2017 Audit Plan – **Newport City Council**

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This document was produced by Anthony Veale, Gareth Lucey, Non Jenkins, Sara-Jane Byrne and Ramim Khan.

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# 2017 Audit Plan

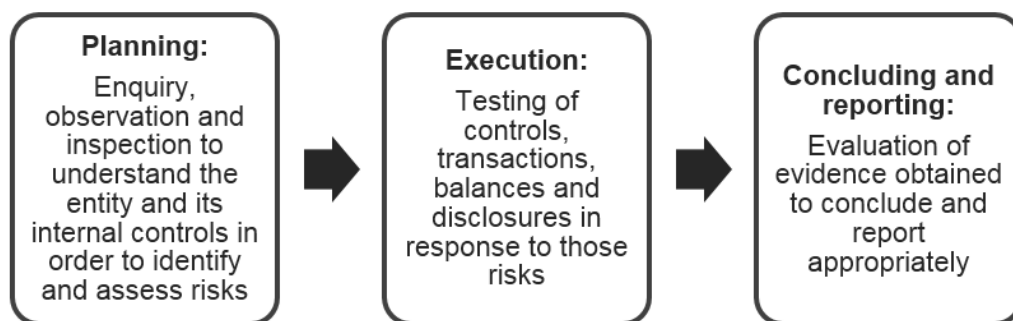
## Summary

- 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](#).

## Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
- 6 I also consider whether or not Newport City 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 [International Standard on Auditing 240 (paragraphs 31 to 33)].	My audit team will: <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>
The financial statements are prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (the Code). There are a number of significant changes for 2016-17, including a requirement for a new Expenditure and Funding Analysis in addition to a revised expenditure analysis in the Consolidated Income and Expenditure Account (CIES). A restatement of the previous year's (2015/16) CIES is also required.	My audit team will: <ul style="list-style-type: none"> <li>• continue to work with and support the Council and its staff to agree the most appropriate presentation in both sets of financial statements and the group statements;</li> <li>• undertake early audit work on proposals to address the new Code requirements;</li> <li>• agree improvements to the methodology and working papers supporting the financial statements, where necessary.</li> </ul>
The Council has previously taken out a loan of £90 million to finance the building of Friars Walk shopping centre. It expects to repay this loan when the development is	My audit team will:

Financial audit risk	Proposed audit response
<p>sold during 2016-17 and the receipt is accounted for/received by the Council.</p> <p>The Council is currently negotiating the sale of the Friar's Walk development. There is the potential that the development will not be sold before the end of the year ended March 2017, meaning that the loan and corresponding debtor will continue to be recorded on the Council's Balance Sheet.</p>	<ul style="list-style-type: none"> <li>• continue to monitor the Council's activities regarding the Friar's Walk development;</li> <li>• confirm with the Council whether any sale transaction has occurred prior to the year-end; and</li> <li>• ensure that any resulting balances and transactions are appropriately classified and disclosed in the 2016-17 financial statements.</li> </ul>
<p>The Council's 2015-16 financial statements included consolidated accounts for the first time, incorporating the results of Newport Transport Ltd. in accordance with Code requirements to account for 'group' operations.</p> <p>These consolidated accounts will also be included in the 2016-17 financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• perform early audit work to confirm the consolidation process for the 2016-17 financial statements; and</li> <li>• review any disclosures made by the Council in detail to ensure that they are in line with Code requirements.</li> </ul>
<p>The Council are currently undertaking a review of their major lease arrangements, to confirm their status as either 'finance' or 'operating' leases in the 2016-17 financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• perform early audit work to confirm that these lease arrangements have been appropriately classified; and</li> <li>• review resulting disclosures in the financial statements to confirm that they are accurate and in line with Code requirements.</li> </ul>
<p>The preparation of the financial statements will involve the estimation of a number of account figures such as provisions for the Council's liabilities.</p> <p>In our 2015-16 Audit of Financial Statements Report we noted that the landfill provision was potentially overstated by £2 million, and that the accumulated absences provision was adjusted by £2.8 million following our audit.</p> <p>The Council is undertaking work to review these provision estimates for 2016-17.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• perform early audit work to review the basis on which these estimates are to be made for 2016-17;</li> <li>• review documentation held to support estimates derived and judgements made; and</li> <li>• ensure that appropriate accounting and disclosure requirements are included within the financial statements.</li> </ul>
<p>The Council's 2016-17 financial statements will include a number of disclosures which are material by nature. These include the disclosure of Related Parties and Senior Officers' Remuneration.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review all notes and disclosures that are material by nature; and</li> <li>• substantively test these disclosures to ensure that they are consistent with supporting evidence and in line with the Code.</li> </ul>

Financial audit risk	Proposed audit response
<p>The Council will participate in the Cardiff Capital Region City Deal (the City Deal) along with nine other South Wales local authorities. The City Deal was ratified by all participating authorities on 1 March 2017. The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes over the next 20 years. The City Deal includes significant funding from the Welsh Government and the UK Government, with the ten local authorities also committing to borrow a combined total of £120 million as part of the Wider Investment Fund.</p>	<p>Liaising closely with the external auditors of the other nine Local Authorities, my audit team will:</p> <ul style="list-style-type: none"> <li>• monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements; and</li> <li>• take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</li> </ul>

- 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 Audit Committee prior to completion of the audit.
- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (ie 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 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;
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 13 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

- 14 I have been requested to undertake certification work on the Council's grant claims and returns. A total of 16 grant claims were audited in 2015-16 and whilst the final programme of grants and returns requiring certification for 2016-17 is yet to be finalised, I anticipate the number of claims requiring audit to be of a similar number.
- 15 My audit fee for this work is set out in [Exhibit 6](#).
- 16 A separate report, Certification of Grants and Returns 2015-16, has been issued which summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2015-16.

## Other work undertaken

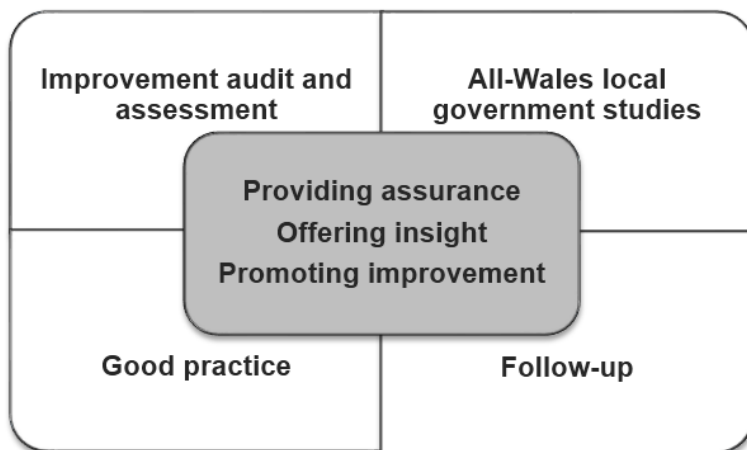
- 17 In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of the Gwent Cremation Joint Committee Annual Return. This involves an independent examination rather than a full audit. My team will undertake the examination of these accounts on my behalf in accordance with the timescales agreed with the Council.
- 18 My audit fee for this work is set out in [Exhibit 6](#).
- 19 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has deferred the planned move to measuring the local authority highways network asset at depreciated replacement cost. The Code Board will consider whether the central gross replacement cost (GRC) rates and central assurance processes will be delivered in a timely manner to enable successful implementation in 2017-18 at its meeting in March 2017. The requirements will be introduced in the 2017-18 Code.
- 20 Any required additional audit work in relation to the highways network asset cannot be contained within existing fees. The additional audit cost will be agreed based on the quality of the Council's systems and records and the availability of central assurances. I anticipate that the additional fees related to the highways network asset will be reflected in the audit fee for 2017-18.
- 21 It will, however, be important for authorities to maintain their momentum in preparing for this significant change and may wish to engage with their external auditor as they make progress. I will discuss with you the scope of any additional preparatory work required in 2017 and any additional audit fee for such work.



## Performance audit

22 The components of my performance audit work are shown in [Exhibit 3](#).

Exhibit 3: components of my performance audit work



- 23 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies are required to adopt the principle of sustainable development from April 2016, and local government reform remains under consideration.
- 24 For 2017-18, the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 25 During 2016 I consulted with public service bodies on how I can best discharge my various duties while striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
  - offering insight on the extent to which resources are used wisely in meeting people's needs; and
  - identifying and promoting ways by which the provision of public services may be improved.
- 26 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. [Exhibit 4](#) summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement

assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

#### Exhibit 4: local government studies

Study	Status
<b>2015-16 studies</b>	
Community safety	Published October 2016
Income generation and charging	Published November 2016
Council funding of third-sector services	Published January 2017
<b>2016-17 studies</b>	
How local government manages demand	Fieldwork
Strategic commissioning	Fieldwork
Improving wellbeing through housing adaptations	Fieldwork

27 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

#### Exhibit 5: performance audit programme

Performance audit programme	Brief description
Improvement audit and assessment work including: <ul style="list-style-type: none"> <li>improvement planning and reporting audit</li> <li>local risk-based work for 2017-18 has yet to be agreed with the Council. We will provide an update to the Audit Committee once this work has been agreed.</li> </ul>	Audit of discharge of duty to publish an improvement plan.  To be arranged.
Well-being of Future Generations (WFG) baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.

Performance audit programme	Brief description
WFG scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including public service board (PSB) scrutiny, facilitating improvement and the sharing of good practice.
Service-user perspective review	A user-focussed review. Specific area to be agreed with the Council.

- 28 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

- 29 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 30 Your estimated fee for 2017 is set out in [Exhibit 6](#). The audit fee has been kept at the same level as last year in line with the Wales Audit Office fee setting policy. It should be noted there was an additional charge of £3,500 to last year's fee. This was to recover increased costs associated with the delay in providing us with complete accounts working papers and additional work required in respect of the Whole of Government Accounts and the consolidation of Newport Transport Ltd.

## Exhibit 6: audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	191,900	191,900
Performance audit work: <sup>3</sup>	104,700	104,700
Grant certification work <sup>4</sup>	82,000	82,000
Other financial audit work <sup>5</sup>	1,244	2,104
<b>Total fee</b>	<b>379,844</b>	<b>380,704</b>

### Notes:

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

<sup>2</sup> Payable November 2016 to October 2017.

<sup>3</sup> Payable April 2017 to March 2018.

<sup>4</sup> Payable as work is undertaken.

<sup>5</sup> Payable as work is undertaken on the Greater Gwent Cremation Joint Committee.

- 31 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.
- 32 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

## Audit team

- 33 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
Anthony Veale	Engagement Director and Financial Audit Engagement Lead	029 0232 0585	anthony.veale@audit.wales
Huw Rees	Engagement Lead – Performance Audit	029 2032 0599	huw.rees@audit.wales
Gareth Lucey	Financial Audit Manager	029 2032 0500	gareth.lucey@audit.wales
Non Jenkins	Performance Audit Manager	029 2032 0595	non.jenkins@audit.wales

Name	Role	Contact number	E-mail address
Ramim Khan	Financial Audit Team Leader	029 2032 0632	ramim.khan@audit.wales
Sara-Jane Byrne	Performance Audit Lead	029 2032 4085	sara-jane.byrne@audit.wales

- 34 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

- 35 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
<b>2017 Audit Plan</b>	December 2016 to February 2017	March 2017
<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 to September 2017	September 2017 September 2017 October 2017
<b>Performance work:</b> <ul style="list-style-type: none"> <li>• Improvement Plan Audit</li> <li>• Assessment of Performance Audit</li> <li>• WFG Scrutiny review</li> <li>• Service user perspective review</li> <li>• Local risk-based work</li> </ul>	(Estimated) April to May 2017 November 2017 To be arranged To be arranged To be arranged	(Estimated)* May 2017 December 2017 To be arranged To be arranged To be arranged
Annual Improvement Report	April to May 2018	June 2018
2018 Audit Plan	October to December 2018	January 2018
WFG: Year One commentary	To be arranged	N/A

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

## Future developments to my audit work

### Well-being of Future Generations (Wales) Act 2015

- 36 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their wellbeing objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

### Other

- 37 Details of other future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 38 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in Wales;
  - how you manage risk around organisation change, service transformation and innovation; and
  - measuring outcomes: who is doing it and how (linked to the WFG Act).

# Appendix 1

## Respective responsibilities

### Audit of accounts

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 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
- 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 Public Audit (Wales) Act 2004 requires auditors, by examination of the accounts or otherwise, to satisfy himself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

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 inspection.

## Appendix 2

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

Exhibit 9: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Transformation	Scoping. This baseline review will examine how councils are approaching transformation.	This baseline review will examine how councils are approaching transformation.
Follow-up review of Data Quality Assurance Arrangements	Reporting.	Draft output will be issued to the Council in March 2017.
Local risk-based work	Scoping.	The scope of the remaining local risk based work is being discussed with the Council.
Annual Improvement Report (AIR)	Scheduled for June 2017.	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'.

# Appendix 3

## National value-for-money studies

The 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 supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

**Exhibit 11** covers all of the value-for-money studies work currently programmed.

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. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

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

### Exhibit 10: national value-for-money studies

Topic	Anticipated publication (as at 3 January 2017)
Outpatient follow-up appointments	February 2017
Governance and oversight of arms-length bodies (discussion paper)	February 2017
Welsh Government oversight of further education institutions' finances and delivery	March 2017
Circuit of Wales	February 2017
Emergency ambulance services commissioning	February 2017
21st century schools and education programme	March 2017
Public procurement landscape review	April to July 2017
Waste management (waste prevention)	April to July 2017
Waste management (municipal recycling) <sup>2</sup>	April to July 2017

<sup>2</sup> In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

Topic	Anticipated publication (as at 3 January 2017)
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium-term planning)	April to July 2017
Supporting People programme	April to July 2017
NHS Wales informatics services	April to July 2017
Access to public services with the support of specialist interpretation and translation	August to October 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	August to October 2017
Early intervention and behaviour change	TBC <sup>3</sup>

<sup>3</sup> My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

# Appendix 4

## Other future developments

### Forthcoming key IFRS changes

Exhibit 11: forthcoming key IFRS changes

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

## Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

The focus of GPX events includes financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.



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