

2022 Audit Plan – Clwyd Pension Fund

Audit year: 2021-22

Date issued: June 2022

Document reference:3000A2022

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2022 Audit Plan

Summary

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice to examine and certify whether Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 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.

Impact of COVID-19

- 4 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 5 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

Audit of pension fund accounts

- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole.
- 7 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 Pension Fund Committee prior to completion of the audit.
- 8 Any misstatements below a trivial level (set at 5% of materiality) judge as not requiring consideration by those charged with governance and therefore will not report them.
- 9 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.

Financial audit risks

10 The following table sets out the financial audit risks I have identified for the audit of the Pension Fund accounts.

Exhibit 1: financial audit risks

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

Audit risk	Proposed audit response
Significant risks	
<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>We 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.
Other areas of audit attention	
<p>Risks related to the financial statements</p> <ul style="list-style-type: none"> • As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments. They are accounted for at fair value determined by valuations provided by fund managers. • External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement. 	<p>We will:</p> <ul style="list-style-type: none"> • Assess whether the information provided by fund managers and their auditors support the year-end valuations. • Obtain direct confirmation from the fund managers of year-end investment balances and consider whether investment managers' internal control reports indicate specific risks to these balances. • Review the corresponding disinvestment to ensure the completeness of transfers.

<ul style="list-style-type: none"> • The Pension fund made further transfers of assets to the Welsh Pension Partnership during 2021-22. • The Local Government Pension Scheme at a scheme level has committed to the disinvestment of Russian Investments. Discussions with the Pension Fund confirmed that it has Russian investments as part of the Wales Pension Partnership (WPP). The WPP is in the process of disinvesting Russian investments and the valuation and impact will be reflected at year end valuations including any changes in market value if the investments were sold at a loss. The overall level investment in Russian entities is below materiality. 	<ul style="list-style-type: none"> • Obtain confirmation from the auditors of WPP for the values and transactions involved.
<p>Finance department key staff changes</p> <p>The finance team is experiencing changes to key staff involved in the preparation of the Pension Fund's financial statements.</p> <p>This may impact on the capacity and experience of the finance team, which could impact on the quality and timely preparation of the draft financial statements.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the finance team and will monitor the accounts preparation process.</p>

Statutory audit functions

- 11 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.
- 12 As this work is reactive, I have not included an estimated fee in **Exhibit 2** below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with 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 facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and

Fee

- 14 As set out in our Fee Scheme 2022-23, our fee rates for 2022-23 have increased by 3.7%, as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 15 The estimated fee for 2022 is set out in **Exhibit 2**. This represents a 3.9% increase compared to your actual 2021 fee due to changes in the skill mix in the audit team.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of pension fund accounts ²	40,828	39,281

- 16 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no

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

² Payable November 2021 to October 2022.

changes without first discussing them with the relevant Pension Fund Management.

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

Audit team

18 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: my audit team

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

Name	Role	Contact number	E-mail address
Matthew Edwards	Engagement Lead	02920 320663	matthew.edwards@audit.wales
Michelle Phoenix	Audit Manager	02920 320660	michelle.phoenix@audit.wales
Sabel Wiliam	Audit Lead	02920 829358	sabel.wiliam@audit.wales

Timetable

19 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 4: audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	April 2022	June 2022
Audit of pension fund accounts: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	October 2022	November 2022 November 2022
2023 Audit Plan	April 2023	June 2023



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