



# 2015 Audit Plan

## Clwyd Pension Fund

**Audit year:** 2014-15

**Issued:** March 2015

**Document reference:** 177A2015

# Status of document

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This document was produced by John Herniman and Michelle Phoenix.

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# 2015 Audit Plan

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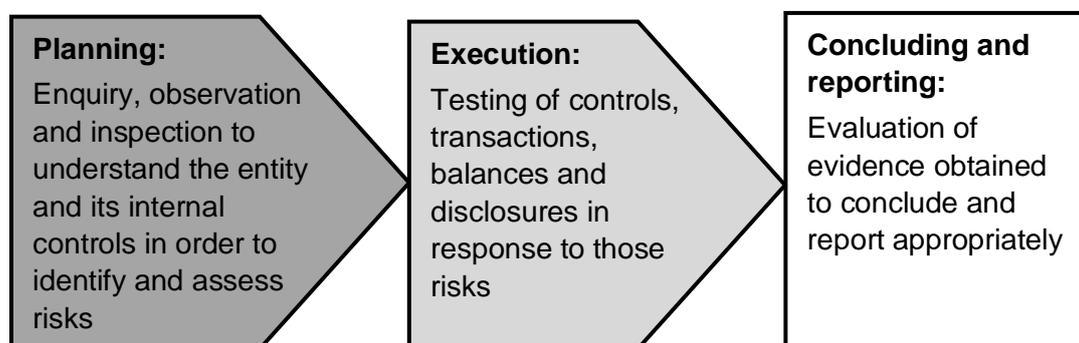
## Summary

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 Code of Audit Practice to examine and certify whether the 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.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of Pension Fund accounts

5. It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.[Appendix 1](#) sets out my responsibilities in full.
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. My audit approach consists of three phases as set out in [Exhibit 1](#).

### Exhibit 1: My audit approach



7. The risks of misstatement to the accounts 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>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>Risks relating to financial systems:</p> <ul style="list-style-type: none"> <li>• Risk that the Pension Fund's high level financial controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.</li> <li>• In both 2012-13 and 2013-14 we were aware that there were staffing shortages within the pension's administration section which led to delays in the processing of pensions administration tasks which may affect the transactions within the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the key controls to support the production of accurate accounts, including the main accounting system, closedown procedures and where necessary underlying systems, such as payroll, pensions and investment management.</li> <li>• We will review the Council's closedown procedures and liaise with the Head of Pensions to consider whether previous capacity issues give rise to specific accounts risks.</li> </ul>
<p>Risks related to preparation of the accounts:</p> <ul style="list-style-type: none"> <li>• Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>• We will undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements.</li> </ul>

Financial audit risk	Proposed audit response
<p>Risks related to the financial statements:</p> <ul style="list-style-type: none"> <li>As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments (£293.8m in 2013-14). These are accounted for at fair value determined by valuations provided by fund managers.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess whether the information provided by fund managers and their auditors support the year end valuation.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will 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.</li> </ul>

8. I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, 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 Committee and to those charged with governance for Flintshire County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
9. 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.

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10. 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;
  - 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.

## Pension Fund annual report

11. In addition to including the pension fund accounts in their main accounting statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
12. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
13. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

## Fee, audit team and timetable

### Fee

14. Your estimated fee for 2015 is set out in [Exhibit 3](#).

#### Exhibit 3: Audit fee

Audit area	Proposed fee for 2015 (£) <sup>1</sup>	Actual fee for 2014 (£)
Audit of pension fund accounts	39,463	39,463

15. 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.
16. 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).

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

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## Audit team

17. The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

### Exhibit 4: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director and Engagement Lead – Financial Audit	02920 320566	john.herniman@wao.gov.uk
Michelle Phoenix	Financial Audit Manager	07966 073281	michelle.phoenix@wao.gov.uk
Alan Hughes	Financial Audit Team Leader	07791 411985	alan.hughes@wao.gov.uk

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

## Timetable

19. I will provide reports, or other outputs as agreed, to the Pension Committee and to the Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

### Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
<b>2015 Audit Plan</b>	January – February 2015	March 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>	June – September 2015 September 2015 October 2015	September 2015 September 2015 October 2015
<b>2016 Audit Plan</b>	October – December 2015	February 2016

# Appendix 1

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## Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund 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 Pension Fund accounting 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.

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.

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