



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## 2018 Audit Plan – Clwyd Pension Fund

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# 2018 Audit Plan

## Summary

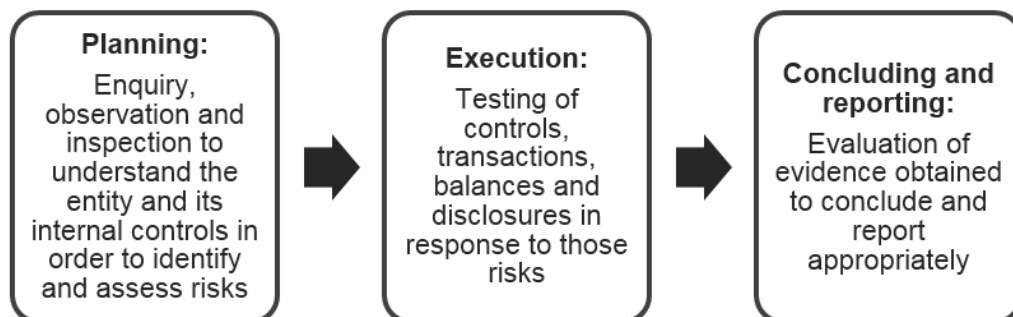
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The 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 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of Pension Fund accounts

- 4 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.
- 5 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



- 6 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>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;</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>• There is a risk that the Pension Fund's proposals for bringing forward its accounts preparation deadline to early June 2018 will give rise to material misstatement as their preparation will involve increased use of estimates</li> <li>• Risk that the Pension Fund's high-level financial controls that are relevant to my audit are not designed or operating effectively to prevent and detect material misstatements in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• We will ensure that appropriate accounting and disclosure requirements are included within the financial statements. We will also review: <ul style="list-style-type: none"> <li>– the Pension Fund's revised closedown procedures;</li> <li>– the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and</li> <li>– documentation to support estimates derived and judgements made, and refer to papers provided in support of them.</li> </ul> </li> <li>• We will review the design and operation of the high-level financial controls relevant to my audit.</li> </ul>
<p>Risks related to preparation of the accounts, in particular the risk of material misstatement in the financial statements arising from:</p> <ul style="list-style-type: none"> <li>• error or omission of transactions, balances and disclosures; and</li> <li>• A significant change to the closedown process with the outsourcing of the compilation of the accounts.</li> </ul>	<p>We will undertake a programme of audit testing to address risks identified as part of our planning work, maintaining regular dialogue with the consultant appointed for preparing the accounts.</p>
<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. They are accounted for at fair value determined</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>

Financial audit risk	Proposed audit response
<p>by valuations provided by fund managers.</p> <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> <li>• Changes to the Accounts and Audit (Wales) Regulation 2018 taking the Pension Fund accounts out of the administering body's accounts and will be produced as a standalone document. Change may also arise with public inspection rights and the timetable for producing the annual report.</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> <li>• We will liaise closely with the Pension Fund and the consultant appointed for compiling the accounts to ensure compliance with the amended regulation.</li> </ul>

- 7 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 Audit 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.
- 8 For reporting purposes, I will treat 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.
- 9 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;
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

## Statutory audit functions

- 10 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.
- 11 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 12 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

### Fee

- 13 Your estimated fee for 2018 is set out in [Exhibit 3](#). As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than one per cent) which we have offset by a reduction in skill mix.

#### Exhibit 3: audit fee

Audit area	Proposed fee for 2018 (£)	Actual fee for 2017 (£)
Audit of pension fund accounts <sup>1</sup>	39,281	39,463

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

- 14 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 Pension Fund.
- 15 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

## Audit team

- 16 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
Richard Harries	Engagement Lead – Financial Audit	02920 320640	<a href="mailto:richard.harries@audit.wales">richard.harries@audit.wales</a>
Matthew Edwards	Financial Audit Manager	07837 385420	<a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a>
Mike Whiteley	Financial Audit Team Leader	07970 488911	<a href="mailto:mike.whiteley@audit.wales">mike.whiteley@audit.wales</a>

- 17 I can confirm that, except as set out in [paragraph 18](#), there are no known threats to the independence of the Appointed Auditor or other audit staff and I have complied with the Wales Audit Office rotation policy.
- 18 The only known threats that we need to bring to your attention relate to an audit team member who's close family are members of the Clwyd Pension Fund. As a result, the team member will not undertake any audit work on pension payments or payroll.

## Timetable

- 19 I will provide reports, or other outputs as agreed, to the Audit Committee, Pension Committees and 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>2018 Audit Plan</b>	January to February 2018	March 2018
<b>Financial accounts work:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	June to September 2018	September 2018
<b>2019 Audit Plan</b>	January to February 2019	March 2019



## Future developments

### Pooled investment vehicle

- 20 The eight Pension Funds in Wales have created an 'all-Wales' pooled investment vehicle which will be overseen and reported on by a joint governance committee. An inter-authority agreement has been signed by the Welsh Pension Funds and the joint committee will be producing financial statements for the 2017-18 financial year for the first time. However no investments will be transferred to this new management arrangement until after 1 April 2018.
- 21 The 2017-18 joint committee financial statements will only include administration costs of setting up the joint committee. Whilst these are unlikely to be significant for individual Pension Funds, the Clwyd Pension Fund will need to recognise a share of the 2017-18 joint committee accounts in their financial statements.
- 22 My audit team will review progress on this arrangement over the coming year and consider if there is an impact on the 2017-18 financial statements and what additional disclosures may be required.

# Appendix 1

## 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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