



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – Gwynedd Pension Fund

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

This document was produced by the Gwynedd Pension Fund auditors, Deloitte LLP.

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2018 Audit Plan

Summary

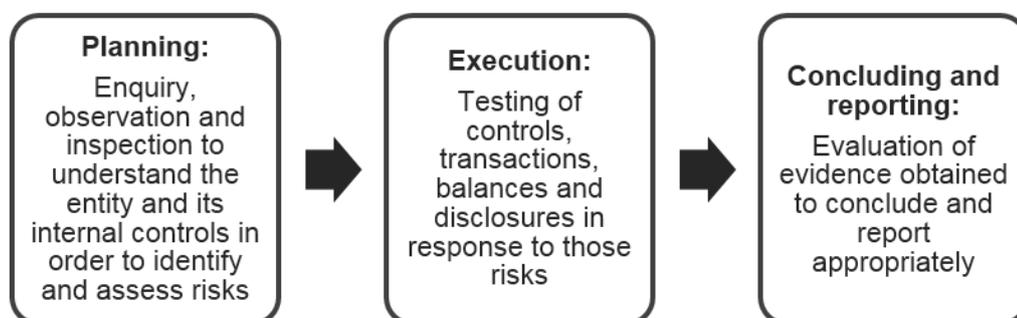
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Gwynedd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 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 risk of material misstatement which I consider to be significant and which therefore requires special audit consideration, is set out in [Exhibit 2](#) along with the

work I intend to undertake to address it. In the prior year, I considered there to be a significant risk of material misstatement in respect of the valuation of private equity investments. I do not consider this risk of material misstatement to be significant in the current year as audited financial statements are available for each of the funds held and no errors were identified as a result of prior year testing.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<p>Management Override of Controls 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"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of interest; • review the design and implementation of controls over journal entries to the financial ledger and accounting estimates; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.

- 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, Pension Board and to those charged with governance for Gwynedd Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit. Materiality, based on net assets, has been set provisionally at £18,600,000 (using net asset values as of 31 March 2017). This will be reviewed at final audit.
- 9 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality, £930,000) as not requiring consideration by those charged with governance and therefore I will not report them.

- 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;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
 - all appropriate officials will be available during the audit; and
 - 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.

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 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.
- 13 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

Fee

- 14 Your estimated fee for 2018 is set out in **Exhibit 3**. This figure remains the same as the fee set out in the 2017 audit plan.

Exhibit 3: audit fee

Audit area	Proposed fee for 2018 (£)	Actual fee for 2017 (£)
Audit of pension fund accounts ¹	34,200	34,200

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

- 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 Director of Finance.
- 16 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

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
Andy Fern	Engagement Lead – Financial Audit	01216968981	anfern@deloitte.co.uk
Sam Roden	Financial Audit Manager	01216955148	sroden@deloitte.co.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, Pension Board and Gwynedd Council Audit Committee, 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
2018 Audit Plan	March – April 2018	May 2018
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	June – July 2018	September 2018
2019 Audit Plan	January – March 2019	January 2019

Future developments

Other

- 20 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 2](#).
- 21 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.

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.

Appendix 2

Other future developments

Forthcoming IFRS changes

Exhibit 6: forthcoming 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.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

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 include 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](#).

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru