

2020 Audit Plan – Gwynedd Council

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

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2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit Gwynedd Council's (the Council) financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of WAO staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased on all on site work at audited bodies and our own offices. WAO staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the authority once the current national emergency situation is over and the authority is in a position to prepare its accounts.
- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Council's financial statements.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 12 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
- certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - auditing the Council's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
 - the audit of the Council's joint committees;
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 15 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement 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>My audit team will:</p> <ul style="list-style-type: none"> • perform design and implementation testing of controls over journal entries; • sample test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review material accounting estimates for biases; and • evaluate the rationale for any material transactions outside the normal course of business.
<p>Impact of COVID-19 The COVID-19 national emergency will see a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers e.g. around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>Completeness of accrued expenditure Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, specifically</p>	<p>My audit team will: perform design and implementation testing of controls over the completeness of year-end accruals; and perform focused testing in relation to the completeness of year-end accruals through testing of post-</p>

Audit risk	Proposed audit response
<p>in relation to understatement of year end accruals.</p> <p>Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating expenditure and year-end accruals.</p>	<p>year end invoices received and payments made.</p>
<p>GwE Grant Income and Expenditure</p> <p>The committee receives significant grant funding, most of which is distributed to local authorities and schools. There is a risk that the financial statements inappropriately include or exclude this grant funding as the committee will need to make an assessment of whether it is acting as an agent or principal body.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • seek to understand the committee’s recognition policy for grant income and expenditure, which will include a review of whether the committee is acting as agent or principal; • perform design and implementation testing of controls over the assessment of the committee acting as agent or principal; and • perform tests of detail to confirm whether recognition criteria have been met.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government pension scheme.</p>

Audit risk	Proposed audit response
<p>Government announced that they accept that the judgment applies to all the main public service pension schemes. The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	
<p>Introduction of IFRS 16 Leases has been deferred until 2021-22. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

Performance audit

16 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on **page 4** in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21.

Performance audit programme	Brief description
<p>Improvement audit and assessment work including improvement planning and reporting audit</p>	<p>Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.</p>
<p>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination</p>	<p>A project common to all local councils that will focus on the theme of 'prevention'.</p>

Performance audit programme	Brief description
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Regional review of residential and nursing care commissioning across BCUHB and the six North Wales councils	A regional review of residential and nursing care commissioning.
The “way we work”	A review of the “way in which the Council works” looking at corporate governance and the mechanisms the Council has to provide it with assurance that the Council is delivering value for money services.

Certification of grant claims and returns

- 17 I have been requested to undertake certification work on the Council’s grant claims and returns. A total of nine claims and returns were audited in 2018-19, although based on our current understanding, we anticipate auditing fewer claims and returns in 2019-20.

Fee, audit team and timetable

- 18 My fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with timescale to be agreed following the end of the COVID-19 national emergency, 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 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; and
- set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.

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

Fee

20 Your estimated fee for 2020 is set out in **Exhibit 4**.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	180,450	180,450
Performance audit work ³	99,310	99,449
Grant certification work ⁴	30,000-35,000	47,290
Audit of GwE accounts ²	11,000	11,000
Audit of Joint Committees	2,700	2,700
Total fee	328,460	340,889

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

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken. Payable as work is undertaken. The reduction in the proposed fee range reflects auditing fewer claims and returns in 2019-20.

- 21 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.
- 22 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 23 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales
Ian Howse	Engagement Lead – Financial Audit	02920 264319	ihowse@deloitte.co.uk
Lauren Parsons	Audit Manager (Financial Audit)	02920 26 4109	laurparsons@deloitte.co.uk
Jeremy Evans	Audit Manager (Performance Audit)	07825 052861	jeremy.evans@audit.wales
Alan Hughes	Audit Lead (Performance Audit)	02920 829 349	alan.hughes@audit.wales

Timetable

- 24 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.

- 25 Therefore, we will report on a timetable for our audit work in due course.
- 26 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.

Staff secondment

- 27 In order to safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2019:
- the secondee will not undertake any line management or management responsibilities; and
 - the secondment will be for a maximum of six months.



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We welcome correspondence and
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galwadau ffôn yn Gymraeg a Saesneg.