

# Cyngor Gwynedd – Detailed Audit Plan 2023

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

# About Audit Wales

## Our aims and ambitions

### Assure



the people of Wales that public money is well managed

### Explain



how public money is being used to meet people's needs

### Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

# Contents

Introduction	5
Your audit at a glance	8
Financial statements materiality	9
Significant financial statements risks	10
Other areas of focus	11
Financial statements audit timetable	13
Planned performance audit work	14
Certification of grant claims and returns	15
Statutory audit functions	15
Fee and audit team	16
Audit quality	18
Appendices	
Appendix 1 – key ISA315 changes and impact	19

# Introduction

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



**Adrian Crompton**

Auditor General for  
Wales

## My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Cyngor Gwynedd's financial statements to make sure that public money is being properly accounted for.
- Cyngor Gwynedd has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.
- Cyngor Gwynedd needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.

In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:

- certifying a return to the Welsh Government which provides information about Cyngor Gwynedd 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 Cyngor Gwynedd's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
- the audit of the Joint Planning Policy Committee and Gwynedd Harbours where separate plans are not produced;
- the audit of GwE and the North Wales Economic Ambition Board joint committees where separate plans will be prepared; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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 is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.

## Performance audit work

I carry out a programme of performance audit work to discharge my duties<sup>1</sup> as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

<sup>1</sup> When we undertake audit work under our statutory powers and duties, we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

# Your audit at a glance



## My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk

- Management Override

Other areas of audit focus

- Valuation of land and buildings
- Valuation of pension fund net liability
- Pension fund surplus



## My performance audit will include:

- Assurance and Risk Assessment
- Thematic reviews
  - Commissioning and Contract Management
  - Financial Sustainability in Local Government
- Local Report
  - Waste and Recycling



## Materiality

Materiality	£5.387million
Reporting threshold	£269,000



# Financial statements materiality



## Materiality £5.387 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2022-23 gross expenditure of £538.7 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Senior officer remuneration £1,000
- Related Party disclosures – £10,000 (Individuals), £5.387 million (Other Bodies)

# Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

## Exhibit 1: significant financial statement risks

Significant risk	Our planned response
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 240.32-33].	The audit team will: <ul style="list-style-type: none"><li data-bbox="667 831 1082 954">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li data-bbox="667 965 1082 1021">• review accounting estimates for bias;</li><li data-bbox="667 1032 1082 1122">• evaluate the rationale for any significant transactions outside the normal course of business;</li></ul>

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required.

# Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

## Exhibit 2: other areas of focus

Audit risk	Our planned response
<p><b>Valuation of land and buildings</b></p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts represents material estimates. Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023.</p> <p>The Council revalue their assets at least every 5 years on a rolling programme.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• review the process undertaken by the Council to ensure that asset valuations are materially correct;</li> <li>• review the information provided to the valuer to assess for completeness;</li> <li>• evaluate the competence, capabilities and objectivity of the professional valuer;</li> <li>• test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and</li> <li>• test the reconciliation between the financial ledger and the asset register.</li> </ul>
<p><b>Valuation of the pension fund net liability</b></p> <p>The Local Government Pension scheme (LGPS) pension fund liability, as reflected in the financial statements, represents a material estimate. The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the valuations;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the accuracy of the pension</li> </ul>

fund net liability and disclosures in the financial statements with the actuarial report from the actuary; and

- assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required.

### **Pension Scheme Surpluses**

Following the triennial funding valuation undertaken of LGPS pension funds as at 31 March 2022, the Council's IAS 19 Results Schedule from the Actuary shows a surplus. The recognition of pension fund surpluses is complex, requiring consideration of the future economic benefits available in the form of refunds from the plan, or reductions in future contributions to the plan, as well as any scheme rules requiring employers to make minimum funding payments to the scheme

The audit team will:

- understand the actuary's process for calculating the surplus recognisable at 31 March 2023; and
- consider whether the surplus is recognisable under IFRIC 14.

# Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

## Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	March 2023	March 2023
2023 Detailed Audit Plan	May to August 2023	August 2023
Audit of financial statements work: <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on the Financial Statements</li></ul>	September to November 2023	November 2023

# Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

## Exhibit 4: key dates for delivery of planned outputs

<p><b>Assurance and risk assessment</b></p>	<p>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 and acting in accordance with the sustainable development principle.</p>	<p>September 2023 to January 2024</p>
<p><b>Thematic review – financial sustainability of local government</b></p>	<p>A review of councils’ financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>
<p><b>Thematic review – commissioning and contract management</b></p>	<p>A review focusing on how councils’ arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>
<p><b>Waste and Recycling</b></p>	<p>A review focusing on the Council’s plans to meet current and future statutory recycling targets.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>

We will provide updates on the performance audit programme through our regular updates to those charged with governance.

# Certification of grant claims and returns, and statutory audit functions

## Certification of grant claims and returns

I have also been requested to undertake certification work on Cyngor Gwynedd's grant claims, which I anticipate will include Housing Benefits, Teachers Pension and NDR.

## Statutory audit functions

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.

As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

# Fee and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £381,197

## Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>2</sup>	Actual fee last year (£)
Audit of accounts <sup>3</sup>	215,093	187,096
Performance audit work <sup>4</sup>	107,345	102,732
Grant certification work <sup>5</sup>	55,000-60,000	56,673
Other financial audit work <sup>6</sup>	1,259	1,225
Total fee	381,197	347,726

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.

<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>3</sup> Payable November 2022 to October 2023.

<sup>4</sup> Payable April 2023 to March 2024.

<sup>5</sup> Payable as work is undertaken.

<sup>6</sup> Payable November 2022 to October 2023 for work undertaken on the Joint Planning Policy Committee and Gwynedd Council Harbours.



**Our financial audit fee is based on the following assumptions:**

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

**Exhibit 6: my local audit team**

Name	Role	Contact number	E-mail address
Matthew Edwards	Engagement and Audit Director	029 20 320 663	<a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a>
Yvonne Thomas	Audit Manager (Financial Audit)	029 22 677 830	<a href="mailto:yvonne.thomas@audit.wales">yvonne.thomas@audit.wales</a>
Carwyn Rees	Audit Manager (Performance Audit)	029 20 829 375	<a href="mailto:carwyn.rees@audit.wales">carwyn.rees@audit.wales</a>
Erin Pollard	Audit Lead (Financial Audit)	029 20 829 371	<a href="mailto:erin.pollard@audit.wales">erin.pollard@audit.wales</a>
Alan Hughes	Audit Lead (Performance Audit)	029 20 829 349	<a href="mailto:alan.hughes@audit.wales">alan.hughes@audit.wales</a>

There are some threats to independence that I need to bring to your attention relating the Audit Manager (Financial Audit) and the Audit Leads (Financial Audit and Performance Audit). All three have acquaintances and/or family employed by the Council. As a result, they will either not be involved in any work in relation to the relevant services, or appropriate steps will be implemented to ensure that any potential conflicts are manage

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).



## Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review



## Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



## Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Appendix 1

## The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
<b>More detailed and extensive risk identification and assessment procedures</b>	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none"><li>• information on your organisation’s business model and how it integrates the use of information technology (IT);</li><li>• information about your organisation’s risk assessment process and how your organisation monitors the system of internal control;</li><li>• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and</li><li>• more detailed discussions with your organisation to support the audit team’s assessment of inherent risk.</li></ul>
<b>Obtaining an enhanced understanding of your organisation’s environment, particularly in relation to IT</b>	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none"><li>• IT applications relevant to financial reporting;</li><li>• the supporting IT infrastructure (e.g. the network, databases);</li><li>• IT processes (e.g. managing program changes, IT operations); and</li><li>• the IT personnel involved in the IT processes.</li></ul> <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>
<b>Enhanced requirements relating to exercising professional scepticism</b>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>

Key change	Potential impact on your organisation
<p><b>Risk assessments are scalable depending on the nature and complexity of the audited body</b></p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p><b>Audit teams may make greater use of technology in the performance of their audit</b></p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.