



## 2016 Audit Plan

# City and County of Swansea Pension Fund

**Audit year:** 2015-16

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# 2016 Audit Plan

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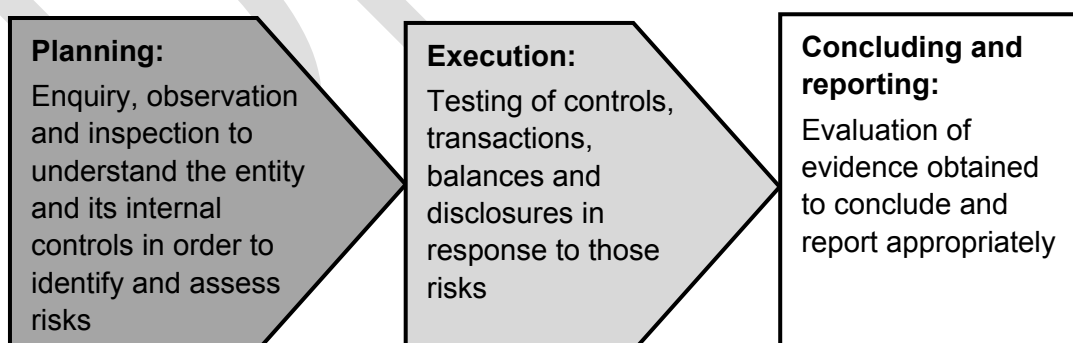
## Summary

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 City and County of Swansea 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. There have been no limitations imposed on me in planning the scope of this audit.
3. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of Pension Fund financial statements

4. It is my responsibility to issue a report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the financial statements:
  - 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 financial audit risks which I consider to be significant 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><b>Management override</b></p> <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; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Investment Managers</b></p> <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement. The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls eg, valuation of the investment portfolio held.</p> <p>There is a risk that the internal control reports will not be available for assurance purposes and/or cover all our required.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• assess the investment managers as a service organisation;</li> <li>• check that investments have been made in accordance with the Statement of Investment Principles;</li> <li>• obtain direct confirmation from the investment managers and custodian of year-end investment balances and holdings; and</li> <li>• assess whether the investment managers' internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held.</li> </ul>
<p><b>Private Equity Investments</b></p> <p>Year-end valuation of private equity investments are provided by investment managers which are based upon forward looking estimates and judgements. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• confirm the investment valuations to audited financial statements; and</li> <li>• seek additional assurance over the valuation basis from controls assurance reports where available.</li> </ul>
<p><b>Pension SORP</b></p> <p>A new Pension SORP, incorporating International financial Reporting Standards, has been issued in the year. There are a number of changes to the 2015-16 financial statements to present information in line with the new SORP and IFRS requirements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• complete and early review of the financial statements and agree any disclosure and presentational changes with management; and</li> <li>• provide an audit deliverables document to assist the Council in the preparation of relevant working papers in support of the financial statements.</li> </ul>

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7. I do not seek to obtain absolute assurance that the Pension Fund's financial 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 Fund Committee and the Audit Committee and to those charged with governance (the Council) prior to completion of the audit.
  8. 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.
  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;
    - 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;
    - 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

10. In addition to including the pension fund financial statements in the main financial statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
11. 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.
12. 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

13. Your estimated fee for 2016 is set out in [Exhibit 3](#).

### Exhibit 3: Audit fee

Audit area	Proposed fee 2016 (£)	Actual fee 2015 (£)
Audit of pension fund financial statements	50,000	50,000

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 Head of Finance & Delivery and the Audit Committee.
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
John Herniman	Engagement Lead – Financial Audit	02920 320500	john.herniman@audit.wales
Geraint Norman	Financial Audit Manager	07810 056683	geraint.norman@audit.wales
David Williams	Financial Audit Team Leader	07812 670234	david.williams@audit.wales

17. There is one independence issue to report to you. The Financial Audit Manager's spouse is employed as a Primary School Head Teacher by the Council and is an active member of the Teachers Pension Fund. I will ensure additional audit controls are put in place. With this one exception, I can confirm that my team members are all independent of the Council, the Pension Fund and your officers and I am not aware of any further potential conflicts of interest that I need to bring to your attention.

### Timetable

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

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Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
<b>2016 Audit Plan</b>	January to February 2016	March 2016
<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>	March to September 2016	September 2016 September 2016
<b>2017 Audit Plan</b>	October to December 2016	January 2017

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# 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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