

2021 Audit Plan – Gwynedd Council and Joint Committees

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

- 3 Each year I audit Gwynedd Council's (the Council) financial statements and its joint committees¹ to make sure that public money is being properly accounted for.

Value for money

- 4 The Council 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.

Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements.
- 6 Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22, I will still be required to audit the Council's published assessment of its performance that covers the 2020-21 year.

Sustainable development principle

- 7 Public bodies need 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.

¹ 1 GWE Joint Committee, Joint Planning Policy Committee, Gwynedd Council Harbours and the North Wales Economic Ambition Board.

Impact of COVID-19

- 8 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 9 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may 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 my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 10 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 11 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the authority as the 2021 position becomes clearer.

Audit of financial statements

- 12 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 13 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - auditing the Gwynedd 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; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

- 14 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 will be reported to the Audit and Governance Committee prior to completion of the audit.
- 15 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 16 There have been no limitations imposed on me in planning the scope of this audit.
- 17 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 18 The following table sets out the significant risks I have identified for the audit of the Council and its joint committees.

Exhibit 1: financial statement audit risks in relation to Gwynedd Council

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"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.

Audit risk	Proposed audit response
Significant risks	
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resources and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg 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>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the authority. In some cases, these monies provide financial support to the authority itself. In other cases, the funds have been administered by the authority, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> • Incorrect accounting treatment for COVID-19 funding ie principal or agency arrangements • Fraud/error risks • Potential year-end valuation uncertainty • Estimation of accrued annual leave provisions 	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the authority.</p>

Audit risk	Proposed audit response
Other audit risks	
<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’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. The Government recently announced that the underpin will be the deferred choice model and final details are expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision previously made in relation to the McCloud judgement and monitor progress on the outcome of the consultation to be applied in the Local Government pension schemes.</p>
<p>Group accounts</p> <p>The Council has established a wholly-owned subsidiary company called ‘Byw’n lach’. Consideration needs to be given as to whether there is a need to prepare group accounts to capture the financial transactions of the new leisure company in the Council’s accounts.</p>	<p>We will review the Council’s assessment of the need to prepare Group accounts and the associated accounting treatment to ensure it is appropriately reflected in the financial statements.</p>

Audit risk	Proposed audit response
Other audit risks	
<p>Significant estimates</p> <p>The preparation of the financial statement will involve a number of significant estimates, such as the revaluation of land and building and valuation of the employee benefits under International Accounting Standard 19.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; • evaluate the competence, capabilities and objectivity of the experts engaged by the Council to provide the estimates and evaluate the work carried out by the expert; and • review other documentation held to support estimates and assess the appropriateness of the Council's judgements made in determining the estimates.

Other audit risks relating to the joint committees

19 In addition to the risks identified above, the following table sets out other audit risks I have identified for the joint committees the where the Council completes the financial statements and returns.

Exhibit 2: additional financial statement audit risks in relation to the joint committees

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Other audit risk	Proposed audit response
<p>North Wales Economic Ambition Board</p> <p>The Board is a joint group of private and public organisations in North Wales committed to promoting economic growth. The joint committee was</p>	<p>My audit team will monitor progress with the project and carry out early work as necessary to assess the existing and proposed financial treatment and governance arrangements.</p>

Other audit risk	Proposed audit response
<p>established to encourage business investment in North Wales, helping local companies take advantage of supply chain opportunities, and encouraging work-related skills in the region. As the project's programme grows with the anticipated significant grant funding of approximately £16 million in 2020-21, there will be a number of accounting and governance issues to consider, including whether to prepare full accounts for the joint committee.</p>	

Other matters

20 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 3: Other matters

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Other matters	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The Council will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>
<p>The Local Government and Elections Act received Royal Assent on 20 January 2021. Included in its provisions is the establishment of a Corporate Joint Committee (CJC) to deliver services currently provided by the Council.</p>	<p>My team will undertake an early review of the preparations the Council is making for accounting arrangements related to the transfer of services to the CJC.</p>

Performance audit

- 21 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 22 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 23 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 24 Given the high degree of commonality in the risks facing councils at this time, I also intend to deliver a number of thematic projects examining risks common to all councils.
- 25 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 26 In my consultation I have set out and sought views on proposals to:
- a) continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
 - b) integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
 - c) strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 27 I will be writing to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.
- 28 In view of the above factors I intend to retain a high degree of flexibility in my local performance audit programme and will continue to update the Council as the audit programme changes.
- 29 For 2021-22 this work is set out below.

Exhibit 4: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow.
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assurance and Risk Assessment	<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.</p> <p>At Gwynedd Council the project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • financial position, including setting budgets and identifying savings schemes in key demand services; • recovery planning; • implications of the Local Government and Elections (Wales) Act 2021, including self-assessment arrangements and the development of corporate joint committees; and • Carbon Reduction Plans.
Thematic work – Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are harnessing learning to strengthen their ability to transform, adapt and persist in the delivery of services including those delivered in partnership with key stakeholders and communities.

Certification of grant claims and returns

30 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 5**.

Exhibit 5: summary of grant claim certification work

This table summarises my 2020-21 programme of grant claim certification work

Name of scheme	Total value (Based on 2019-20 claim)
Housing Benefit Subsidy	£26.6 million
Non-Domestic Rates Return	£40.8 million
Teachers' Pensions Return	£12.7 million

Statutory audit functions

31 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.

32 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, audit team and timetable

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

- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, 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; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

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

Fee

35 Your estimated fee for 2021 is set out in **Exhibit 6**. This is in line with your actual 2020 fee.

Exhibit 6: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ²	Actual fee last year (£)
Audit of accounts ³	180,450	180,450
Performance audit work ⁴	99,310	99,310
Grant certification work ⁵	35,000 to 40,000	37,862
Audit of GwE accounts ⁶	11,000	11,000
Audit of North Wales Economic Ambition Board ⁷	1,800	
Other financial audit work ⁸	1,200	2,700 ⁹
Total fee	331,260	331,322

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

³ Payable November 2020 to October 2021.

⁴ Payable April 2021 to March 2022.

⁵ Payable as work is undertaken.

⁶ Payable November 2020 to October 2021.

⁷ Payable November 2020 to October 2021.

⁸ Payable November 2020 to October 2021 for work undertaken on the Joint Planning Policy Committee and Gwynedd Council Harbours.

⁹ Included the audit fee for the audit of the North Wales Economic Ambition Board in 2019-20.

- 36 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.
- 37 Further information on my fee scales and fee setting can be found on our website.

Audit team

- 38 The main members of my team, together with their contact details, are summarised in **Exhibit 7**.

Exhibit 7: 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 320566	derwyn.owen@audit.wales
Yvonne Thomas	Audit Manager (Financial Audit)	TBC	yvonne.thomas@audit.wales
Simon Monkhouse	Audit Lead (Financial Audit)	02920 829394	simon.monkhouse@audit.wales
Jeremy Evans	Audit Manager (Performance Audit)	07825 052861	jeremy.evans@audit.wales
Alan Hughes	Audit Lead (Performance Audit)	02920 829349	alan.hughes@audit.wales

Timetable

- 39 The key milestones for the work set out in this plan are shown in **Exhibit 8**. As highlighted earlier, there may be a need to revise the timetable in the light of developments with COVID-19.
- 40 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Council's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act. The current COVID restrictions may impose restrictions on the Council's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

Exhibit 8: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	January to March 2021	March 2021
Audit of the Council's Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum • Audit of Financial Statements Report – GwE Joint Committee • Certification of Smaller relevant local government bodies in Wales Annual Return for: <ul style="list-style-type: none"> – North Wales Economic Ambition Board – Joint Planning Policy Committee – Gwynedd Council Harbours 	June to August 2021	October 2021 October 2021 October 2021

Planned output	Work undertaken	Report finalised
Performance audit work	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic rates • Teachers' Pensions 	October 2021 to January 2022	N/A
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	January to March 2022	March 2022

41 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.



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