

# Leicestershire Pension Fund Audit Progress Report

**Year ending 31 March 2022**

November 2022



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# Introduction

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This paper provides the Pensions Committee with a report on progress in delivering our responsibilities as the Pension Fund's external auditors.

Members of the Pensions Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at November 2022

## Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in March 2022 and began our work on your draft financial statements in late July. The results of our work to date are included in this report.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

As previously reported to the Corporate Governance Committee, we intended to report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts for the County Council and the Pension Fund by 30 November 2022 in line with the above deadline.

Members may be aware that followings findings that come to light late on in the 2020/21 reporting cycle, CIPFA established a Task and Finish Group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. For highways Authorities in particular, this presents a risk of material misstatement and has led to the delay in sign-off of residual 2020/21 opinions and has been a key consideration in audit work performed by firms in 2021/22.

The Department for Levelling Up, Housing and Communities are continuing to work on a Statutory Instrument (SI), with a plan to this being laid in Parliament on 30 November 2022 and coming into force on 25 December 2022. They continue to liaise with audit firms, and It therefore is hoped that this SI, together with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to Infrastructure Assets balances, thus avoiding any potential qualification of accounts.

Inevitably, based on the timing of the statutory instrument by Central Government, we are now in a position whereby we will be unable to give our opinion on the Statement of Accounts of the County Council and the Pension Fund by 30 November 2022. This is consistent for all Authorities, regardless of location or audit firm, unless they hold immaterial infrastructure assets (some Districts, Fire, Police etc).

Notwithstanding this issue, the audit of the Pension Fund financial statements is substantially complete. There are no matters of which we are aware that would require modification of our audit opinion on the Pension Fund financial statements. We have set out key findings in significant risk areas in this update.

We are working to agree a timetable which will allow us to finalise the audit for the County Council and Pension Fund and report to Corporate Governance Committee in the new year. However, we await more information on the issuance of the Statutory Instrument and what impact this will have on the level of audit work required on infrastructure and this is expected by the end of November.

Members of the Committee should be assured that this is outside the control of both Officers of the Authority and ourselves as Statutory Auditors, and that the County Council and Pension Fund will still be able to meet its statutory duty to publish its accounts by 30 November by publishing draft accounts and including a note stating that the audit has been delayed.

# Results of Audit Work to date

The findings of our audit work to date, and the impact on our reporting, are summarised in the table below:

	<b>Work performed</b>	<b>Summary of key findings</b>
<b>Management override of controls</b>	<p>We have continued to apply our new approach to our testing of journal entries in 2021/22, utilising the inflo software. This provides the engagement team with effective assurance around the completeness of the population subject to testing and introduces more sophisticated risk assessment of journals for indications of management override of controls.</p> <p>We identified relevant journal entries for testing for the Pension Fund and have received responses. We are currently finalising our work in this area.</p>	<p>Our work to date has not identified any significant issues from our audit work performed to date on management override of controls.</p>
<b>Valuation of level 3 investments</b>	<p>We have undertaken detailed testing on the valuation of investments, which has included:</p> <ul style="list-style-type: none"> <li>• evaluating management's processes for valuing Level 3 investments</li> <li>• Reviewing the nature and basis of estimated values and considering what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li> <li>• independently requesting year-end confirmations from investment managers and custodians</li> <li>• for a sample of investments, testing the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2022 with reference to known movements in the intervening period</li> <li>• in the absence of available audited accounts, evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register</li> <li>• reviewing investment manager service auditor report on design effectiveness of internal controls</li> </ul>	<p>Our work to date has not identified any material issues in the valuation of level 3 investments.</p>

	<b>Work performed</b>	<b>Summary of key findings</b>
<b>Other areas</b>	Our work on non-significant risk areas of the audit, including material balances and transactions and other scoped areas is substantially complete for the pension fund and well progressed for the Council.	We have not identified any significant issues from our audit work performed to date in other areas.
<b>IT audit</b>	Our dedicated IT audit team have performed a follow up of the detailed IT general controls review undertaken in 2020/21.	The findings of the IT audit team notes that the majority of recommendations made in 2020/21 have been addressed by management. We have issued a detailed report to management setting out our findings.

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 363 264 392"><b>Audit Plan</b></p> <p data-bbox="120 411 1563 512">We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the County Council and Pension Fund 2021/22 financial statements and to report on the County Council's value for money arrangements in the Auditor's Annual Report</p>	September 2022	Completed
<p data-bbox="120 539 421 568"><b>Audit Findings Report</b></p> <p data-bbox="120 587 1496 647">This report communicates the findings from our work undertaken in order to give an opinion on the County Council and Pension Fund 2021/22 financial statements.</p>	TBC – anticipated January 2023	Not yet due
<p data-bbox="120 675 338 703"><b>Auditors Report</b></p> <p data-bbox="120 722 824 751">This includes the opinion on your financial statements.</p>	TBC – anticipated January 2023	Not yet due



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