

SURREY COUNTY COUNCIL**LOCAL PENSION BOARD****DATE:** 17 FEBRUARY 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**SUBJECT:** 2021/22 EXTERNAL AUDIT UPDATE**SUMMARY OF ISSUE:**

This report provides an update to the External Audit of the 2021/22 Financial Statements.

RECOMMENDATIONS:

It is recommended that the Board note the status of the External Audit work.

REASON FOR RECOMMENDATIONS:

The Board needs to be aware of the activities and outputs of the external audit providing insight into the production and assurance of the financial position of the fund.

DETAILS:**Background**

1. The external auditor, Grant Thornton, carries out an annual audit of the Fund's financial statements including its assets and liabilities.
2. Audit fieldwork was impacted by a number of issues during 2022/23 as set out below.

Audit issues experienced during 2022/23

3. Delays have been caused by several concurrent issues including staffing issues in both the pension team and audit team together with slow responses from third parties.
4. In previous years the Pension Fund financial accounts were produced by a key individual and all audit queries were directed to and dealt with by this individual. The Turnaround programme for the pension team led to an organisational restructure in May 2022, which provided the service with additional financial accounting resilience to address this. However, this restructure did lead to some changes to key personnel and a resulting loss of corporate memory, which coincided with the audit fieldwork, contributing to audit delays.

5. With progress on the audit impacted, the audit team withdrew completely during October and November 2022. On recommencing engagement, which did not happen until 9 December, the team members were changed – requiring handover and learning on their part.
6. The audit queries log produced in the earlier part of the fieldwork was not reintroduced in this second phase – causing some issues in identifying the comprehensive set of outstanding items – this remained an issue throughout January and into February.

Nearing completion as at January 2023

7. The following points were articulated at the Audit and Governance Committee meeting on 18 January 2023.

Audit substantially complete	7.1	The external auditors confirmed the Surrey Pension Fund audit is ‘substantially complete’.
Targeting resolution of queries	7.2	There are a small number of areas outstanding that require final review and sign off by auditors. Most of the audit work has been completed, although some final queries remain that are yet to be fully responded to. Both the Pension Team and the External Auditors are working to resolve all outstanding items.
No modification to audit opinion anticipated	7.3	Whilst there is some work in key areas still in progress, as at the date of writing there are currently no matters of which the auditors are aware that would require modification of the audit opinion or material changes to the financial statements. The auditor currently anticipates issuing an unqualified opinion on the financial statements.
Draft Audit Findings Report issued	7.4	The auditor has provided a commentary and some preliminary recommendations on the statement of accounts in their draft Audit Findings Report
IAS19 Assurance letters expected	7.5	IAS 19 Assurance letters are expected to be distributed on resolution of outstanding items.

Delegated authority for sign-off

8. It is proposed that delegated authority be provided to the Chair of the Pension Fund Committee for final approval of the accounts and compliance with any other process required of the Council Audit & Governance committee.

Commitment to lessons learned

9. The Council Corporate Finance and Pensions teams have committed to running a ‘lessons learned’ session on completion of the audit to agree improvements to the audit process going forwards from both sides of the relationship.

CONSULTATION:

10. The Chair of the Local Pension Board has been consulted on the current position.

RISK MANAGEMENT AND IMPLICATIONS:

11. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

12. The process of the audit of the Pension Fund does present potential financial and value for money implications depending on efficiency and effectiveness.

DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL COMMENTARY

13. The Director of Finance, Corporate and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

14. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

15. There is no requirement for an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

16. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

17. The following next steps are planned:

- Officers to work with the audit team to progress the audit to completion
- Further updates to be brought to the Board as necessary.

Contact Officer:

Keevah Dumont
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Finance Manager
Head of Accounting and Governance

Consulted:

Local Pension Board Chair

Annexes:

None

Sources/background papers:

None

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