

Surrey Pension Fund Audit progress update

November 2024

Audit and Governance Committee
Woodhatch Place,
11 Cockshot Hill,
Woodhatch,
Reigate,
RH2 8EF

November 2024

Dear Audit and Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the current status of the Pension Fund's 2023/24 audit.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Hassan Rohimun

For and on behalf of Ernst & Young LLP

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Status of the 2023/24 audit

2023/24 Financial Statements

Our Provisional Audit Planning Report identified the audit risks and areas of focus for our audit of the Pension Fund's 2023/24 financial statements, which have not changed as of the date of this progress report. This page sets out our progress and observations on work to date on these areas. We will provide a further verbal update to the 20 November 2024 Audit and Governance Committee meeting. We plan to complete all field work by the end of November 2024. Please note that, until all our audit procedures are completed, further observations and issues may arise that may affect the findings of the audit, its outcome and our reporting to you.

Our audit has been progressing with the support of the Pension Fund's finance team, who have been providing us with responses to answer our queries. However, we have encountered initial challenges in relation to the delays in the production of the draft account due to the new system implemented and the clearing of the legacy items in current assets and liabilities. We acknowledge this is a first-year audit and we are working with the Pension Fund's finance team to understand the specific information available to deliver the audit.

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Risk / area of focus	Risk identified	Progress to date
Misstatement due to fraud or error	<i>Fraud</i>	We are undertaking our audit procedures in respect of journal entries; estimates; and unusual transactions. We are currently in the process of reviewing management responses for 36 journals which we selected for testing. We have not identified any issues that we wish to draw to you attention at the date of this report.
Risk of inappropriate posting of investment journals.	<i>Fraud</i>	Our work in this area is in progress. Management post an investment journal at the end of the financial year, we detailing the purchases, sales and changes in market value for investments with fund managers. We are performing our review of the transactions recorded within the year end investment journal alongside our review of the information we receive from individual fund managers.
Valuation of Level 3 complex investment	<i>Significant</i>	We have reviewed a sample of level 3 investments (11 pooled property and 20 private equity investments) and raised queries with fund managers regarding the basis of year end valuations. We are in the process of reviewing the responses to the queries which we raised and performing indexation calculations on the balances recorded in the latest audited account for the level 3 investment funds to the end of the reporting period.



Status of the 2023/24 audit

2023/24 Financial Statements (continued)

Risk / area of focus	Risk identified	Progress to date
Data migration issue from SAP to Significant risk Unit 4 ERP system	<i>Significant</i>	<p>We are in the process of:</p> <ul style="list-style-type: none"> reviewing the assessment made by the management in relation to the outcome of the data migration exercise; reconciliation performed between the SAP system and the Unit 4 ERP, and assessing the impact of data migration on each of the individual account balances.
Estimates involved in the disclosures of IAS26	<i>Inherent</i>	<p>Our internal actuarial specialist (EY Pensions Advisory Group) as part of our Surrey County Council 2023/24 external audit undertook an assessment of the estimation of the IAS19 liability. The estimated liability fell inside their expected range of 2%. We are relying on this review for the purposes of the IAS26 disclosures within the Pension Fund's financial statements and we have no findings to report in this regard.</p>
Valuation of investments under Inherent risk Level 2 complex investments	<i>Fraud</i>	<p>We have reviewed a sample of level 2 investments (11 pooled investments). We compared the reported balances to our internal valuation sources and raised queries with fund managers regarding the basis of year end valuations for 9 of the investments. We are in the process of reviewing the responses from fund managers to the queries which we raised.</p>

The status of the other areas in the financial statements of the pension is as follows:

- The work performed on cash held by the fund, benefits payable and contribution is complete and subject to review. We will communicate any further queries that would arise as part of the review.
- The work on non-investment related disclosures is substantially complete.
- The work on current assets and current liabilities is in progress. The pension fund's accounting team have recently provided the information for our review.
- The work on annual report is in progress. We are finalising the remaining section of the review, and we will communicate if there are any matters that will arise as part of the review.
- We plan to provide IAS19 assurances to the auditors of the scheduled bodies by the 30th November.