

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

26 July 2023

Report Title	Grant Thornton Audit Plan for Northamptonshire Pension Fund 2022-23
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### Contributors/Checkers/Approvers

West MO	Catherine Whitehead	
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### List of Appendices

#### Appendix A – Northamptonshire Pension Fund Audit Plan Year ended 31 March 2023

Author: Grant Thornton (GT)

#### 1. Purpose of Report

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- 1.1 To present the Pensions Committee with the External Audit Plan from Grant Thornton, the Fund's external auditor.

#### 2. Executive Summary

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- 2.1 Grant Thornton act as the Northamptonshire Pension Fund's external auditors. As the external auditors they have produced a plan of the upcoming audit 2022-23 of the Northamptonshire Pension Fund.
- 2.2 The key risks and areas of focus for Grant Thornton are valuation of Level 3 investments, management over-ride of controls, and the triennial valuation.
- 2.3 Planning materiality for investment related transactions is £48.1m, 1.5% of estimated gross assets. Planning materiality for non-investment related transactions is £12.9m, 10% of prior year gross expenditure.

#### 3. Recommendations

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- 3.1 The Committee is asked to:
- a) Note the External Audit Plan 2022-23 and the presentation by Grant Thornton.

#### 4. Reason for Recommendations

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4.1 To accord with the Audit and Accounts Regulations 2015.

## **5. Report Background**

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5.1 The Pension Fund's Statement of Accounts (SOA) form part of West Northamptonshire Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1 April to 31 March and that the SOA is free from material mis-statement.

## **6. Content, Responsibilities and Timeline**

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6.1 Grant Thornton (GT) have been appointed as Independent External Auditors to provide an audit opinion on:

6.1.1 whether the financial statements of Northamptonshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023; and

6.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of West Northamptonshire Council.

6.2 GT have produced an audit plan, setting out identified audit risks, expected materiality levels, the audit logistics and the planned delivery of the audit process.

6.3 Page 7 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
Valuation of Level 3 investments (annual valuation)	<ul style="list-style-type: none"> <li>• Evaluate management's processes for valuing level 3 investments;</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met;</li> <li>• Independently request year end confirmations from Investment Managers;</li> <li>• Sample testing of investment values; and</li> <li>• Sample testing of purchases and sales.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology</li> <li>• Provide quarterly reconciliation reports Liaise with Investment Managers to provide information to auditors on a timely basis</li> </ul>



<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
<p>Management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selective high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure process notes include identified risks</li> <li>• Provide written process notes which detail controls</li> <li>• Make copy journals available</li> <li>• Provide working papers demonstrating the value used for the journals</li> <li>•</li> </ul>
<p>Local Government Pension Scheme triennial valuation</p>	<ul style="list-style-type: none"> <li>• Review the methods used to calculate the estimate, including the models used;</li> <li>• Review the actuarial reports and assess the reasonableness of the assumptions made in the reports;</li> <li>• Perform tests on the accuracy and completeness of the data used in the valuation process, including member data; and</li> <li>• Evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide the valuation report and funding strategy statement stating assumptions and models used at valuation</li> <li>• Provide the member data used for the valuation and corporate auditor's testing by responding to their queries on a timely manner</li> <li>• Liaise with scheme actuary to provide information to auditors on a timely basis.</li> </ul>



**West  
Northamptonshire  
Council**

- 6.4 Page 11 of the accompanying report sets out the planned materiality levels for the audit. GT has adjusted its approach to materiality on Pension Fund audits since last year to be more risk focused. As such, Investment related materiality is set at 1.5% of the estimated Gross Assets, as opposed to net, to be more reflective of the risks associated with asset valuations. A lower materiality is set in respect of non-investment related transactions, at 10% of prior year gross expenditure, for a more focused approach.

<b>Audit Area</b>	<b>Materiality</b>
Planning Materiality – investment related	£48.1m
Planning Materiality – non-investment related	£12.9m
Audit Differences – Net Assets Statement	£2.4m
Audit Differences – Fund Account	£645k

- 6.5 Page 15 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

<b>Milestone</b>	<b>Planned dates</b>	<b>Status</b>
Interim Audit	February - March 2023	Completed
Report audit plan	July 2023	Completed
Year end Audit	July - September 2023	In progress
Audit Findings Report	September 2023	Deadline 30 September 2023

- 6.6 The statutory date for publication of the final set of the Council's Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).
- 6.7 The statutory date for publication of the Pension Funds Annual Report is 1st December.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

- 7.1.1 There are no resource or financial implications arising from the proposals in this paper. This paper is for information only.

### **7.2 Legal**

- 7.2.1 The legal implications are set out in the main body of the report.

### **7.3 Risk**

- 7.3.1 There are no significant risks arising from the proposed recommendations in this report.

- 7.3.2 The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### **7.4 Consultation**

- 7.4.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

**7.5 Consideration by Overview and Scrutiny**

7.5.1 Not required

**7.6 Climate Impact**

7.6.1 There are no climate impact considerations arising as a direct result of this paper.

**7.7 Community Impact**

7.7.1 There are no community impact implications.

**7.8 Communications**

7.8.1 This information only paper does not require any further communication activities.

**8. Background Papers**

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8.1 Not applicable.