

WEST NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

27 March 2024

Report Title	Grant Thornton Audit Plan for Northamptonshire Pension Fund 2023-24
Report Author	Fiona Coates, Fiona.Coates@westnorthants.gov.uk

Contributors/Checkers/Approvers

West DMO	Sarah Hall	19/03/2024
West S151	Martin Henry	27/03/2024

List of Appendices

Appendix A – Northamptonshire Pension Fund Audit Plan Year ended 31 March 2024

Author: Grant Thornton (GT)

1. Purpose of Report

- 1.1 To present the Audit and Governance Committee with the External Audit Plan from Grant Thornton, the Fund’s external auditor.

2. Executive Summary

- 2.1 Grant Thornton act as Northamptonshire Pension Fund’s external auditors. As the external auditors they have produced a plan of the upcoming audit 2023-24 of the Northamptonshire Pension Fund.
- 2.2 The key risks and areas of focus for Grant Thornton are valuation of Level 3 investments and management over-ride of controls.
- 2.3 Planning materiality for the financial statements is £48.5m, 1.5% of estimated gross assets. Planning materiality for the fund account is £13.2m, 10% of prior year gross expenditure.
- 2.4 The total audit fees for the year £132,848, excluding IAS 19 letters for employer body auditors. The scale fee for the year is £123,818.

3. Recommendations

- 3.1 The Committee is asked to:
- a) Note the External Audit Plan 2023-24 and the presentation by Grant Thornton.

4. Reason for Recommendations

4.1 To accord with the Audit and Accounts Regulations 2015.

5. Report Background

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

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 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024; 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. A Key Audit Manager from Grant Thornton, Grant Patterson, will attend this meeting to present the audit plan.

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.

Risk/area of focus	Audit approach	Fund approach
Valuation of Level 3 investments (annual valuation)	<ul style="list-style-type: none"> Evaluate management's processes for valuing level 3 investments; 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; 	<ul style="list-style-type: none"> Provide working papers demonstrating the value used at the year end and the valuation methodology Provide quarterly reconciliation reports Liaise with Investment Managers to provide information to auditors on a timely basis

Risk/area of focus	Audit approach	Fund approach
	<ul style="list-style-type: none"> Independently request year end confirmations from Investment Managers; Sample testing of investment values; Obtain and review service audit reports; and Sample testing of purchases and sales. 	
Management over-ride of controls	<ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals; Analyse the journals listing and determine the criteria for selective high risk unusual journals; Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and 	<ul style="list-style-type: none"> Ensure process notes include identified risks Provide written process notes which detail controls Make copy journals available Provide working papers demonstrating the value used for the journals

- 6.4 Page 11 of the accompanying report sets out the planned materiality levels for the audit. Financial statement 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 fund account transactions, at 10% of prior year gross expenditure, for a more focused approach.

Audit Area	Materiality
Planning Materiality – financial statements	£48.5m
Planning Materiality – fund account	£13.2m
Unadjusted misstatements – triviality threshold	£2.4m

- 6.5 Page 14 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Report audit plan	March 2024	Completed
Interim Audit	February - March 2024	To be completed
Year end Audit	July - August 2024	To be completed
Audit Findings Report	October 2024	Deadline 30 September 2024

6.6 Page 16 sets out the audit fees for the year. The fees are:

	Proposed Fee
Scale Fee	£123,818
ISA 315	£7,530
Potential impact of delayed 2021-22 and 2022-23 audits	£1,500
IAS 19 assurance letters	TBC
Total Fee	£132,848 (+TBC)

6.7 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).

6.8 The statutory date for publication of the Pension Funds Annual Report is 1st December.

6.9 A copy of the audit risk assessment is available to members on request.

7. Implications (including financial implications)

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 Under the Audit and Accounts Regulations 2015, the Council must ensure appropriate and effective audits are undertaken to evaluate the effectiveness of its risk management, control and governance processes.

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 applicable

7.6 Climate Impact

7.6.1 Not applicable

7.7 Community Impact

7.7.1 Not applicable

8. Background Papers

8.1 None.