



West Northamptonshire Council

Local Pension Board

24/04/2024

Mark Whitby – Head of Pensions

Report Title	2023-24 External Audit Plan for the Northamptonshire Pension Fund
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Approvers

Head of Pensions	Mark Whitby	26/03/2024
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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 Local Pension Board 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 investment 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 Pension Board is asked to note the contents of the report.

4. Report Background

4.1 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.

5. Content, Responsibilities and Timeline

- 5.1 Grant Thornton (GT) have been appointed as Independent External Auditors to provide an audit opinion on:
- 5.1.1 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
- 5.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of West Northamptonshire Council.
- 5.2 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.
- 5.3 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;• 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.	<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
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

5.4 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 investment 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

5.5 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

5.6 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)

5.7 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).

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

6. Implications (including financial implications)

6.1 Resources and Financial

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

6.2 Legal

6.2.1 There are no legal implications arising from the report.

6.3 Risk

6.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber
Information may not be provided to stakeholders as required	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Risk of fraud and error	Green
Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Pension Fund investments may not be accurately valued.	Green
Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

6.3.2 The executive summary can be found on the Fund's website at the following link:

[Northamptonshire Risk Register](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

6.5 Consultation

6.5.1 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.