

**Report to:** Pension Committee

**Date of meeting:** 16 March 2020

**By:** Chief Finance Officer

**Title:** External Audit Plan for the East Sussex Pension Fund 2019/20

**Purpose:** To inform the Committee of the content of the Pension Fund External Audit Plan for 2019/20

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## **RECOMMENDATION:**

**The Committee is recommended to approve the draft External Audit Plan for the East Sussex Pension Fund for 2019/20**

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### **1. Background**

1.1 The East Sussex Pension Fund (ESPF) External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the ESPF accounts and identifies any significant risks. Grant Thornton (GT), as the ESPF's external auditors, must form and express an opinion on the ESPF's financial statements.

### **2. 2019/20 Financial Statements**

2.1 The draft ESPF External Audit Plan for 2019/20 (Appendix 1) identifies three significant risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- Revenue recognition, including fraudulent transactions (this presumed risk has been rebutted);
- Management override of controls (journals, estimates and transactions);
- Valuation of hard to price Level 3 investments (require judgement to establish value).

2.2 The unaudited draft financial statements have to be prepared by 31 May 2020, as they form part of the East Sussex County Council's statement of accounts. The audit will be conducted during June and early July. The audited statements have to be approved by Governance Committee before 31 July 2020.

2.3 The planned audit fee for 2019/20 is £27,487, which is a significant increase from the 2018/19 original fee of £20,487. GT levied additional fees for 2018/19 of £5,000, which were challenged with the Public Sector Audit Appointments (PSAA), who reduced them to £3,000. The total fees for 2018/19 were £23,487.

2.4 The ESPF External Audit Plan on page 11 sets out the rationale for the proposed increase in fees. There is a driver nationally, particularly from the Financial Reporting Council (FRC), for audit firms to improve the quality of the work they undertake, particularly where there are external valuations and estimates included within the

accounts. This pressure has arisen since services were tendered from 2018/19; so an increase in fees may be expected.

2.5 The proposed fee has not been accepted and GT will now need to report to the PSAA, who will assess their proposals and make a judgement.

### **3. Conclusion and Recommendation**

3.1 The Pension Committee is recommended to approve the draft External Audit Plan.

**IAN GUTSELL**

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Background Documents

None