

Report to: **Audit Committee**

Date: **6 November 2020**

By: **Chief Finance Officer**

Title of report: **Review of the Grant Thornton (GT) report to those charged with governance and Pension Fund Annual Report for 2019-20**

Purpose of report: **For the Committee to note the Independent Auditor's (GT) report to those charged with governance.**

RECOMMENDATIONS: The Committee is asked to:

- 1) note the report and its appendices; and.**
 - 2) note management actions detailed on page 13 of the Independent Auditor's report to those charged with governance.**
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1. Background

1.1 This report summarises the key findings arising from the audit work of Grant Thornton (GT) in relation to the Pension Fund Annual Report, in compliance with the requirement for administering authorities to produce a pension fund annual report and for the pension fund audit to be separate from the audit of the Council's accounts.

2. Supporting Information

2.1 Under its terms of reference, it is the role of this Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.2 It is the role of the Pension Committee to approve the Pension Fund annual report/accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit.

2.3 The GT report to those charged with governance is attached at Appendix 1 and the Pension Fund annual report for 2019/20 is attached at Appendix 2.

2.4 The audit of the 2019/20 Pension Fund Annual Report has now been completed. Whilst there remain a few outstanding items to finalise the audit, I am pleased to be able to report that GT will be issuing an unqualified "true and fair" audit opinion. The accounts will include an "Emphasis of Matter" paragraph which highlights the "valuation material uncertainties" in relation to a pooled property fund operated by Schroders, one of the investment managers for the Pension Fund, as a consequence of the impact of COVID-19 on market valuations. This note does not change the numbers within the accounts but gives the reader of the accounts a better understanding of the potential uncertainty in providing valuation information used to produce the accounts and annual report.

2.5 A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved as stated in the reports to those charged with governance, and GT has made recommendations, which have been discussed and responses included on page 15-16 of the GT report.

2.6 2 areas considered for improvement were:

- *Material Uncertainty around Investment Valuations:* during the testing of the valuation of investments, GT challenged investment managers as to their approaches taken; out of this came the material uncertainty, set out in 2.4. GT would expect that with these “difficult-to-value” investments the Fund Team would undertake independent challenge of the process of investment valuation, particularly in a COVID-19 climate. In responding to this, management has reflected that the Pension Fund Team has been through a period of restructure and recruitment is underway to roles that will be able to provide the challenge recommended by GT.
- *Investment valuation movements not posted to the accounting system during the year:* during testing it was identified that movements in investments, provided by investment managers on a quarterly basis, were not reflected in the general ledger until the year end. In order, to improve management oversight, movements should be posted to the general ledger during the year. In responding to this, management has reflected that the Pension Fund Team has been through a period of restructure and recruitment is underway to roles that will be able to ensure more timely input into the general ledger of investment movements.

3. Conclusion and reasons for recommendations

3.1 In carrying out their responsibility for review, Members should consider:

- The findings made by the external auditors as a result of audit of the 2019/20 accounts;

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Local Member(s): All

Background Documents: None