



The Audit Plan for East Sussex Pension Fund

Year ending 31 March 2025

April 2025



Contents

Section	Page
Key developments impacting our audit approach	3
Introduction and headlines	8
Overview of audit risks	11
Identified risks	13
Our approach to materiality	20
IT audit strategy	23
Interim Audit work	25
Logistics	27
Fees and related matters	30
Independence considerations	32
Communication of audit matters with those charged with governance	34
Delivering audit quality	36

01 Key developments impacting our audit approach

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We have also signed **83%** of our 2023/24 Audits, by the backstop date with the residual audits being unable to signed due to external factors. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces the Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund’s annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Local Context

Administration and Governance

- The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and is on track to meet the October 2025 deadline.
- The Fund has continued to implement the McCloud remedy. No significant issues have been encountered.
- The Fund and Local Pension Board are reviewing the TPR’s General Code of Practice to identify if there are any gaps or improvements required in current arrangements.
- The Council and the Pension Fund have continued their diligent preparations for the implementation of the new Oracle system, anticipated to be operational from the start of the 2025/26 financial year.

Key developments impacting our audit approach (continued)

National and International Context	Local Context
<p>Investments and Funding</p> <p>Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.</p> <p>At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.</p> <p>The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.</p> <p>In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.</p> <p>In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.</p>	<p>Investments and Funding</p> <p>For East Sussex Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham. The valuation reported that the funding level had increased from 107% to 123% and had excess assets amounting to £858m over liabilities, thus recording a surplus. The next triennial valuation will be performed as at March 2025. The results of this valuation are scheduled to be reported by the end of the year.</p> <ul style="list-style-type: none">• We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise.• There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chief Finance Officer.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We continued to be in discussions with your finance team to explore the most effective approach for ensuring close collaboration and conducting an efficient audit process.
 - We would like to offer a formal meeting with the Chair of Pension Committee and with the Chief Finance Officer twice yearly as part of our commitment to keep you fully informed on the progress of the audit.
 - At an appropriate point within the audit, we would also like to:
 - meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date, and
 - In line with best practice, offer to meet in private with the full Audit Committee.
 - We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
-



02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of East Sussex Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund. We draw your attention to these documents in the links below.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

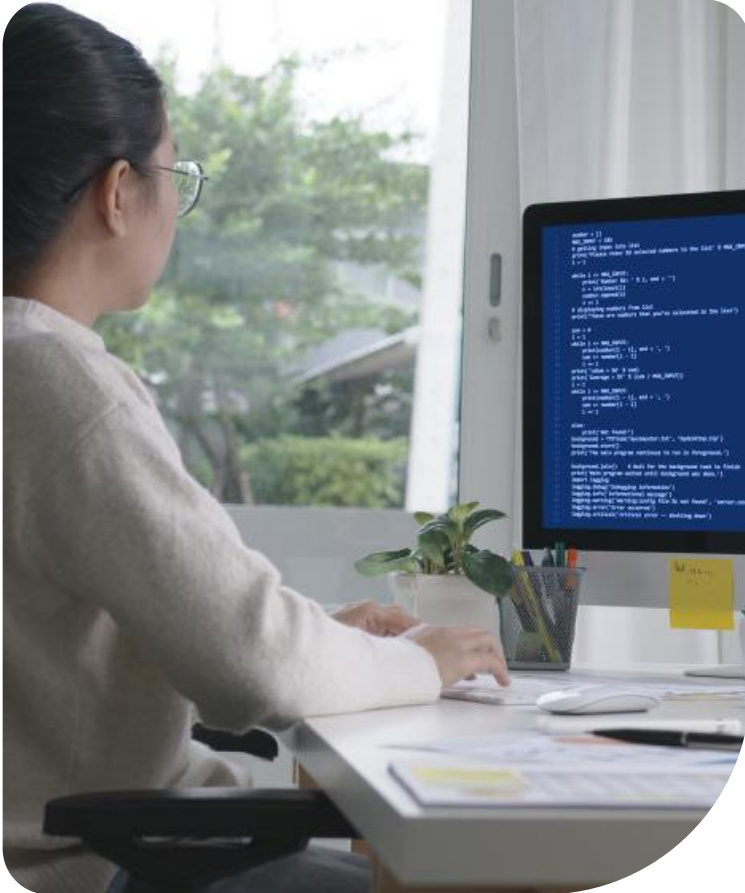
Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £63.8m (PY £54.7m) for the Pension Fund, which equates to 1.3% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £14.6m (PY £13.3m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £3.1m (PY £2.7m).

Audit logistics

Our interim visit took place between February to March 2025 and our final visit will take place from June to September 2025 (see page 27). We have also initiated advanced testing as outlined on the Page 25 (Interim testing). This proactive approach is aimed at reducing the pressure during the year-end fieldwork visit. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £101,515 (PY: £97,867) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Fund's Custodian does not independently value the Pension Fund's (Level 2 & 3) Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 2 investments that have quoted unit prices we will agree the values to published data. For those pooled investments that are not directly quoted we will obtain a breakdown of investments within the pooled fund and test the underlying assets to quoted prices. See page 15 for further details regarding our approach to auditing the valuation of Level 3 Investments.

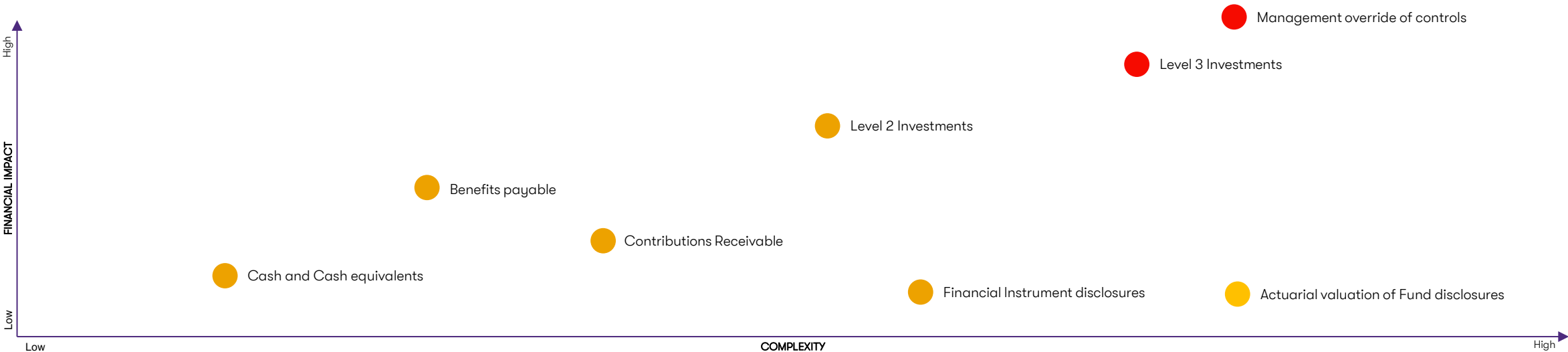
We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

03 Overview of audit risks

Overview of audit risks

We have prepared our Audit Plan to reflect any changes and developments that have occurred within the year. We have assessed any developments identified during our initial planning processes and, along with our prior knowledge and understanding of the Fund, have determined the audit risks over the following pages. These audit risks have been determined ahead of receipt of a first draft of the financial statements and so, should anything come to light that may change this risk assessment, we will highlight this within our Audit Findings Report issued at the end of the audit.

Where the assertions relating to a balance span two categories of risk the balance is shown below in the highest risk category.



Glossary		
<div></div>	Significant risk	A financial statement or assertion level risk that in the engagement team’s professional judgement requires special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
<div></div>	Significant classes of transactions, account balances or disclosures	Significant classes of transactions, account balances, and disclosures, associated with risks of material misstatement but are not always significant risks
<div></div>	Material only	Material financial statement line items not associated with risks of material misstatement
<div></div>	Other audit risks	Other accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

04 Identified risks

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls Significant	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design and implementation effectiveness of management relevant controls over journals; • analyse the journals listing and determine the criteria for selecting 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 made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
<p>Valuation of Level 3 investments (PY £1,145 m)</p> <p>Significant</p> <p>Relevant Assertion(s) Valuation, Existence</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error.</p>	<p>The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2025</p>	<p>We will:</p> <ul style="list-style-type: none"> Obtain understanding of management's processes for valuing Level 3 investments; Evaluate the design and implementation effectiveness of the associated relevant controls; Obtain and review the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; For a sample of Level 3 investments, test the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compare these to the fund manager reports and accounts stated valuations; Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases we will reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against; Where no audited statements are available to test a sampled investment the audit team will devise alternative procedures to obtain an appropriate comparable to test the valuation. Review purchase and sale transactions of the investment near the reporting date where appropriate; Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; Review the methods and assumptions applied by the Fund managers; Review management's classification of the assets; and Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.
<p>Risk of Fraud in Revenue recognition (Rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; and the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Valuation of Level 2 Investments (PY £3,305 m)</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Existence, Valuation</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Gain an understanding of the Fund's process for valuing Level 2 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 investments; • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation to the confirmation received from the custodian; • Review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; • Test a sample of the underlying investments to independent sources of pricing information; and • Obtain and review a service auditor's report on internal controls for the custodian; • Review management's classification in the fair value hierarchy for a sample of level 2 investments.
<p>Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26 (PY £4,916m)</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Valuation</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>The disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits is an accounting estimate (gross liability of £4,916m as at 31st March 2024) and is sensitive to changes in key assumptions. The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, the disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits have been identified as 'other risk' of material misstatement. Note that the 2024/25 year is not a triennial valuation year. In the intervening years between triennial valuations the actuary applies roll forward assumptions to update the valuation of liabilities as opposed to a full revaluation based on detailed membership data. The roll forward method is simpler and the triennial valuation approach with roll forward assumptions in intervening years is recommended by CIPFA. We therefore do not regard this as a significant risk of material misstatement for the 2024/25 year.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Test the consistency of disclosures with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Review whether the judgement made by management that the application of the roll forward method in the intervening year within the triennial valuation cycle remains appropriate, and consider whether we continue to have sufficient assurance from our cyclical triennial membership testing.

Other risks identified

Risk	Description	Planned audit procedures
<p>Cash and cash equivalents (PY £70m)</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Completeness, Existence</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Obtain direct confirmations for all bank accounts Obtain monthly bank reconciliations as at the year-end and for one month post year-end, and Where material, reconciling items will be tested to confirm clearance through the bank account after the year-end
<p>Benefits payable (PY £155m)</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Completeness, Accuracy, Occurrence</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; Gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; Test a sample of lump sums and associated individual pensions in payment by reference to member files; and Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
<p>Contributions receivable (PY £155m)</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Completeness, Accuracy, Occurrence</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>Contributions from employers and employees represents a significant percentage of the Fund's revenue.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Fund's accounting policy for recognition of contributions for appropriateness; Gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; Test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.

Other risks identified

Risk	Description	Planned audit procedures
Financial instrument disclosures <div>Significant class of transactions</div> Relevant Assertion(s) Accuracy, Completeness, Valuation, Presentation Applicable Assertion(s) None Planned level of control reliance None	Financial instrument and associated risk disclosures provide assisting users in understanding and evaluating: <ul style="list-style-type: none">The significance of financial instruments to the entity’s financial position and performance.The nature and extent of risks from financial instruments during, and at the close of, the reporting period.How the Fund manages these risks.	We will: <ul style="list-style-type: none">Update our understanding of the processes and controls put in place by management to prepare the financial instrument disclosuresDocument and evaluate the Fund’s accounting policies for appropriateness and consistencyEvaluate the instructions issued by management to their management expert/information provider for these disclosuresTest the consistency of disclosures with the actuarial report from the actuary;For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments

Other matters

Other work

The Pension Fund is administered by East Sussex Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

05 Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to instances where greater precision is required. Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £3.1m (PY £2.7m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	63,800,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none">- Business environment: the Pension Fund operates in a generally stable, regulated environment.- Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. <p>This benchmark is determined as a percentage of the Fund’s Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor’s materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being cnd at 1.3%.</p>
Performance materiality	47,900,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p> <p>In determining performance materiality the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.</p>
Triviality	3,100,000	<p>We are obliged to report uncorrected omissions or misstatements other than those which are “clearly trivial” to those charged with governance. We have calculated our “clearly trivial” threshold as 5% of the headline materiality.</p>
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	19,500,000	<p>This benchmark is determined as a percentage of the Fund’s expenditure, which has been determined as 10%.</p>
Fund account performance materiality	14,600,000	<p>Performance materiality is based on a percentage (75%) of the overall materiality of the fund account.</p> <p>The key considerations in determining this percentage are the same as those for our headline performance materiality.</p>

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
SAP	Financial reporting	<ul style="list-style-type: none">ITGC assessment (design, implementation)
Altair	Pensions Administration Data, Benefits Payable.	<ul style="list-style-type: none">ITGC assessment (design, implementation)

Both of these assessments are conducted by our IT audit team, and the team has identified certain deficiencies in the 22/23 and 23/24 reviews. These areas will be revisited to corroborate the actions taken by management since the recommendations were issued.

08 Interim audit work

Interim Audit Work

Details of work conducted at interim:

Description	Work commentary
Starter, Leavers and Changes in Circumstances	<p>We have:</p> <ul style="list-style-type: none">• Requested the Listings of Starters, Leavers and Changes in circumstances for 9 months• Selected and Sent a sample for testing based on interim data provided• Obtained assurance on the interim data based on evidences provided. <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>
Contributions – Admitted, Scheduled and Administrating bodies	<p>We have:</p> <ul style="list-style-type: none">• Request the Listings of Contributions for Admitted, Scheduled and Administrating bodies for 9 months• Selected and Sent a sample for testing based on interim data provided• Obtained assurance on the interim data based on evidences provided. <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>
Benefits payable	<p>We have:</p> <ul style="list-style-type: none">• Requested the Listings of Benefits payable and lump sums for 9 months• Selected and Sent a sample for testing based on interim data provided• Obtained assurance on the interim data based on evidences provided. <p>At the date of issuing this audit plan, this work is being completed and is still subject to senior engagement review. There are no matters identified to date which we need to bring to your attention.</p>

09 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Parris Williams

Key Audit Partner

- Key contact for Audit Committee, Chief Executive, and Chief Finance Officer
- Oversees quality control, accounts opinions, and report authorization
- Shares sector knowledge and experience, providing challenge and sharing best practices
- Ensures the audit is tailored to the client and maintains overall audit quality

Andy N Conlan

Audit Manager

- Manages overall audit, quality assurance, and liaises with the Audit Committee, Chief Finance Officer
- Reviews the team's work and drafts clear, concise, and understandable reports
- Ensures the delivery of work on the client's arrangements to secure value for money.

Lauren McIver

In-charge

- Supports Audit Manager to ensure early delivery of audit testing and leads on complex accounting issues
- Day-to-day point of contact
- Performs first reviews of the team's work.
- liaises with key members of the finance team to ensure timely audit testing and reviews.

Pool of specialists and other technical specialists (eg IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Client Surveys	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings Report• Auditor's Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

10 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for East Sussex Pension fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £101,515.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Description	Audit Fee for 2023/24	Proposed fee for 2024/25
	(£)	(£)
East Sussex Pension Fund Audit	90,337	101,515
ISA 315	7,530	Included in scale fee
Total (Exc. VAT)	97,867	101,515

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the fee paid was £97,867.

11 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and the Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and the Administering Authority and investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund and Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and the Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services

No other services provided by Grant Thornton were identified.

12 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

13 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

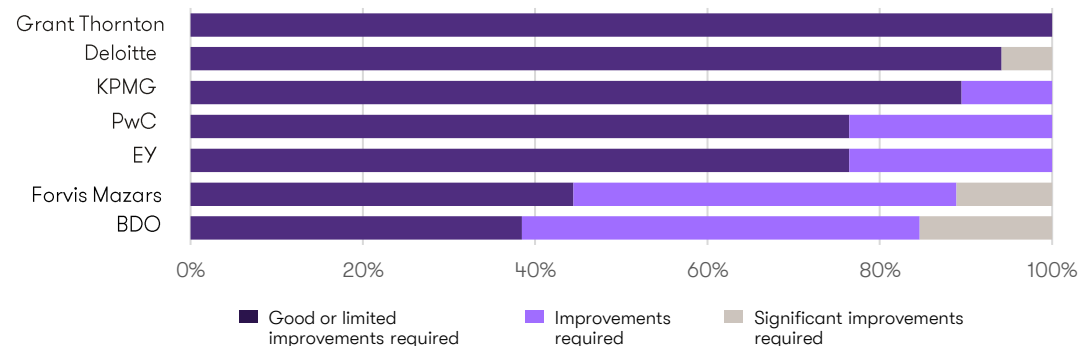
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)





© 2025 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.