

**Report to:** Pension Committee

**Date of meeting:** 22 June 2020

**By:** Chief Finance Officer

**Title:** External Audit Plan for the East Sussex Pension Fund 2019/20 and PSAA Fee Scales 2020/21

**Purpose:** To inform the Committee of the content of the East Sussex Pension Fund's External Audit Plan for 2019/20, together with the fees for 2020/21

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## **RECOMMENDATIONS**

The Committee is recommended to

- 1. approve the External Audit Plan for the East Sussex Pension Fund for 2019/20**
  - 2. note the Public Sector Audit Appointments Fee Scales 2020/21 letter**
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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 four 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)
- COVID-19

2.2 The timescales for the production of the accounts have been moved back such that the unaudited draft financial statements will be produced by the first part of June 2020 (in previous years the deadline was 31 May), as they form part of the East Sussex County Council's statement of accounts. The audit will be conducted from 22 June 2020.

2.3 The proposed 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 12 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 for from 2018/19; so an increase in fees may be expected. The proposed variations to the core fee will be assessed the PSAA for reasonableness.

2.5 The PSAA Fee Scales letter at Appendix 2, provides an update on national issues impacting on external audit, together with the proposed fee for 2020/21. The core fee, prior to any agreed variations, for 2020/21 has been set at 20,487, the same level as 2019/20.

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

3.1 The Committee is recommended to approve the 2019/20 External Audit Plan and note the letter from the PSAA.

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#### Background Documents

None