



**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources**

Report to:	<b>Pensions Committee</b>
Date:	<b>11 January 2024</b>
Subject:	<b>Annual Report and Accounts 2022/23: The External Auditor's Audit Completion Report</b>

**Summary:**

This report brings to the Pensions Committee the Audit Completion Report from Mazars, the Fund's External Auditor, on the 2022/23 audit of the financial statements.

**Recommendation(s):**

That the Committee consider the report and discuss the feedback from the external auditor in the Audit Completion Report.

**Background**

1.1 The Pension Fund Annual Report and Accounts for the year ended 31 March 2023 have been completed and were approved by this Committee at its meeting on 13 July. They have now been independently audited by the Fund's external auditors, Mazars.

**2.0 Statement of Accounts**

2.1 Over the summer, the majority of unquoted holdings 31 March valuations were received and, after review by Pension Fund Officers, incorporated into the Pension Fund Accounts. The total impact of these updated valuations was a £7.896m increase in asset values (across private markets, infrastructure, and property venture). Following this adjustment, the final two 31 March valuations were received in early October. They reduced the overall asset value by £0.109m. No change has been made to the accounts for this movement as it is not deemed to be a material change.

2.2 In addition to the above adjustments, a small number of narrative and disclosure amendments, identified by the External Auditor during their technical review of the accounts, have been made. They include the removal of non-material notes

and accounting policies relating to contingent assets and liabilities. The Additional Voluntary Contribution information was also received over the summer and has been incorporated into the final version of the accounts.

### **3.0 Audit Completion Report**

3.1 A copy of the External Auditors Audit Completion Report (ACR) is attached to this report at appendix A. This details the findings from their work on the Pension Fund financial statements completed to November 2023 and summarises the work required to complete the audit.

3.2 In summary, the key points to note are:

- Status of the Audit (Section two): The auditor still has work to complete on:
  - Testing investment assets: completing checks on the valuations received from the Fund's investment managers and custodian;
  - Finalised financial statements: to check updated valuation information has been incorporated in the final version of the accounts; and
  - Audit quality control and completion procedures: including specific procedures carried out in relation to the significant audit risks identified and the final review of the audit work by the Key Audit Partner.
- Significant Findings (Section four):
  - The review of management override of controls has not highlighted any issues to bring to the Committee's attention; and
  - Valuation of investments within level 3 of the fair value hierarchy: subject to completion of the work highlighted in section two should provide the assurances required but highlights that a number of updated valuation statements have been received by the Fund since the date the accounts were published in draft at the end of June.
- Internal Control Recommendations (Section five): No material internal control recommendations have been identified to date.

3.3 The outstanding work has now been completed, with no issues identified and the External Auditor has issued an unqualified audit opinion for the Pension Fund accounts, alongside the audit opinion on the Lincolnshire County Council accounts. A copy of the ACR follow up letter is attached at appendix B, which details the conclusion for the pending matters mentioned in the ACR, and their comments are set out below:

- Testing investment assets: for this area of significant risk we have undertaken the remaining work required to gain comfort on the value of the investments held, including those where market and supporting information was not readily available. We have completed our work on the valuations received

from fund managers and custodian with no issues arising which we need to bring to your attention;

- Finalised financial statements: we have completed our work with no issues to note; and
- Audit quality control and completion procedures: we have completed this work with no further issues to report.

#### **4.0 Annual Report**

4.1 The Pension Fund Annual Report was published, in draft, for the statutory deadline of 1 December. It has now been republished including the consistency opinion from Mazars.

#### **Conclusion**

5.1 The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2023 is complete and the external auditor, Mazars, has issued an unqualified audit opinion. The consistency opinion on the Annual Report has been issued and the updated Annual Report has been published.

#### **Consultation**

##### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

#### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Completion Report (November 2023)
Appendix B	Audit Completion Report follow up letter

#### **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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