



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

Report to:	Pensions Committee
Date:	14 October 2021
Subject:	Annual Report and Accounts 2020/21: External Audit Update Report

Summary:

This report brings to the Pensions Committee an update report from Mazars, the Funds External Auditor, on the 2020/21 audit of the financial statements. The report details the audit work outstanding and findings from the work completed to date.

Recommendation(s):

That the Committee note the report.

Background

- 1.1 The Pension Fund Annual Report and Accounts for the year ended 31 March 2021 have been completed and were approved by this Committee at its meeting on 16 July. They are now being independently audited by the Fund's external auditors, Mazars.

Statement of Accounts

- 1.2 The accounts presented to the Pensions Committee in July included all 31 March asset valuation information received by the Fund to the end of June. However, some of these valuations related to earlier accounting periods (e.g. 31 December 2020) rolled forward for cash flows. This is standard valuation practice for unquoted assets and is the approach set out in accounting standards. Over the summer, 31 March 2021 valuations, for these holdings have been received by the Pension Fund Officers, and after review, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £33.948m increase in asset values (across alternatives, infrastructure, private equity and property venture).

- 1.3 The above amendments have been made to the Statement of Accounts 2020/21, plus a small of disclosure amendments identified by the External Auditor during their presentational review of the accounts document.

Audit Progress Report

- 1.4 A copy of the External Auditors Progress Report is attached to this report at Appendix A. This details the findings from their work on the Pension Fund financial statements completed to date and summarises the work outstanding on the Pension Fund audit.

- 1.5 In summary, the key points to note are:

- Status of the Audit (Section 2): The auditor still has work to complete on:
 - Third party investment information received from Fund Managers, and there are still a number of statements outstanding from Managers;
 - Final checks on the accounts and consistency checks on the Annual Report; and
 - The final review of the audit work by the Mazars Engagement Lead.

- Significant Findings (Section 4):
 - The review of management override of controls has not highlighted any issues to bring to the Committee's attention;
 - Valuation of investments within level 3 of the fair value hierarchy: highlights that a number of updated valuation statements have been received by the Fund since the date the accounts were published in draft in July.

- Internal Control Recommendations (Section 5): No material internal control recommendations have been identified to date.

- Summary of misstatements (Section 6):
 - Update to Investment Valuation Information: Once the draft accounts are formally signed and published, in accordance with the Regulations, any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The change to the accounts detailed here was identified and proposed by officers from proactively tracking the asset changes from the information received.
 - A small number of minor disclosure amendments have been identified and made to the Accounts.

Conclusion

- 2.1 The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2021 is largely complete and it is expected that the external auditor, Mazars, will issue an unqualified audit opinion in November. They also expect to issue the consistency opinion on the Annual Report by the statutory deadline.

Consultation

a) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Progress Report September 2021

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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